

# INVESTIGATION OF HOUSING, 1955

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON HOUSING  
OF THE  
COMMITTEE ON BANKING AND CURRENCY  
HOUSE OF REPRESENTATIVES  
EIGHTY-FOURTH CONGRESS  
FIRST SESSION  
ON  
**H. Res. 203**

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OCTOBER 5, 6, 7, 12, 13, AND 14, 1955

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# INVESTIGATION OF HOUSING, 1955

WEDNESDAY, OCTOBER 5, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*New York City, N. Y.*

The subcommittee met at 10 a. m., the Honorable Albert Rains, chairman, presiding.

Present: Chairman Rains and Messrs. Addonizio, O'Hara, Ashley, Gamble, McDonough, and Widnall.

The CHAIRMAN. The committee will come to order.

This is the first hearing of the Housing Subcommittee of the Banking and Currency Committee. This committee was set up by House Resolution 203, adopted by the Congress in the late session.

(The resolution referred to above follows:)

[H. Res. 203, 84th Cong., 1st sess.]

## RESOLUTION

*Resolved*, That the Committee on Banking and Currency, acting as a whole or by subcommittee, is authorized and directed to conduct full and complete studies and investigations and make inquiries with respect to any matter or matters in the field of housing coming within the jurisdiction of such committee, including, but not limited to, (1) the current rate of construction of residential dwelling units in relation to housing requirements and demands, and the role of Government-assisted mortgage programs with respect thereto, (2) the rate of default and foreclosures of Government-insured mortgages, and the disposition of such properties, (3) the refinancing and extension of Government-insured project mortgages, (4) the status and adequacy of the several Government mortgage insurance funds, (5) the disposition of Government-owned war and related housing, (6) the operation of the slum clearance and urban renewal programs, and (7) the operation and activities of the National Voluntary Mortgage Credit Extension Committee. The committee shall not undertake any investigation of any matter which is under investigation by another committee of the House.

The committee shall report to the House (or to the Clerk of the House if the House is not in session) as soon as practicable during the present Congress the results of its investigation and study, together with such recommendations as it deems advisable.

For the purposes of carrying out this resolution, the committee or any subcommittee thereof is authorized to sit and act during the present Congress at such times and places within the United States, its Territories and possessions, and the Commonwealth of Puerto Rico, whether or not the House is in session, has recessed, or has adjourned, to hold such hearings and to require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents as it deems necessary. Subpenas may be issued over the signature of the chairman of the committee or by any member designated by such chairman, and may be served by any person designated by such chairman or member. The chairman of the committee or any member thereof may administer oaths or affirmations to witnesses.

The CHAIRMAN. Before we get into the business, I am sure that most of you people here know them, but I want to introduce my colleagues. On my left is Congressman Addonizio, from New Jersey. Next to him is Congressman O'Hara, from Chicago. Next to him, Congressman Ashley, from Toledo.

On my right, the gentleman from New York, Mr. Gamble. Next to him, Congressman McDonough, from California. And next to him, Congressman Widnall, from New Jersey.

Missing today are Congressman Barrett, from Pennsylvania, and Congressman Talle, from Iowa.

We are delighted to be here in the city of New York where yesterday we had a most interesting and educational tour of the city's various types of housing. Today the witnesses we have called and have invited to appear before the committee will discuss the broad field of housing generally. But this hearing and the hearings immediately to follow are going to be confined, in the main, to three areas of the housing legislation.

The first thing that we are going to talk about—we may not take them up in this order—will be slum clearance and urban renewal. We want to give, in our hearings, special attention to the so-called workable program clause, which many people say is all right and others say it is an operating official's nightmare.

Then, we want to look into the relocation of displaced families, whether it is by slum clearance or by other governmental development.

Second, we want to investigate FHA's multifamily rental housing program, with special emphasis on the drag—so we are told—of FHA's section 220 program.

If that program is being held up, since it is in our judgment an essential key to an effective slum-clearance program, we want to find out what is holding it up, and why. Then we expect to look into FHA's regular rental housing program, section 207. It comes to the committee that this section of the housing program is of little help to people in metropolitan centers, like New York.

Also of immediate concern to the committee in this hearing will be section 213, which is better known as the cooperative housing section. Here in New York we have witnesses who we expect will inform us on the subject of mortgage credit and its related problems.

We want to find out, if we can, from the people who are supposed to know the effect of the administration's credit curbs on housing.

Also here in New York there is a rather technical and peculiar subject not known and not understood by some of us as far away as Alabama, mortgage warehousing. We hope to get further information on that subject while we are in New York City.

Of further interest is the Home Loan Bank's curtailing of loans to building and loan associations, and then the voluntary mortgage credit program, and finally some witnesses on what we call Fannie Mae, the Federal Mortgage Association.

It is our purpose in our hearings here and across the country to do a serious study for those of us on the subcommittee and for our colleagues on the House Banking and Currency Committee in the hope that if there are any roadblocks, any failure in legislation, we can make recommendations to the Congress which will correct it. There will be no effort to intimidate any witness and we are not out witch-hunting. We are actually trying to do a serious job on this very im-

portant matter here in the city of New York and throughout the country.

I am delighted to be in the great city, and it is my great pleasure to welcome to the table to testify before us and to speak on any subject related to housing which he desires, our distinguished friend, the mayor of the city of New York.

Mr. Mayor, we are delighted to hear from you. [Applause.]

**TESTIMONY OF HON. ROBERT F. WAGNER, JR., MAYOR OF  
NEW YORK CITY**

Mr. WAGNER. I hope that I can make myself heard with a very bad cold. First of all, Mr. Chairman, and members of the committee, permit me to extend to you the hearty and official welcome of the city of New York and my own personal thanks for coming here.

It indicates an interest in the affairs of our great city which should be and is heart-warming to its own officials. Your concern here is the subject of housing. Here we share common ground, for it has been my primary concern for a number of years, not only during my administration as mayor, but in various other official posts.

It could not be otherwise because housing in New York is, in my mind, a basic problem of the body politic. I say the body politic. I do not mean politics. There is no politics in housing in New York. Through administration, regardless of party, there has never been any question of what party a man belonged to before he was giving housing, and for 20 years the city has set an example for the Nation by its refusal to discriminate as to race, color, or creed when dealing with the primary need of mankind, shelter.

New York is unique in many ways, in the thing that it has that are found nowhere else in the world. It is unique also in the complexity of its housing problem which goes right to the roots of our social system and which affects directly or indirectly all of the activities of our Government. The way we meet our housing needs affects the city's financial position, its ability to meet all other of its many requirements, not only from the point of view of moneys actually spent to eradicate slums, but from the viewpoint of the total of assessable values from which we draw a major portion of our revenues.

Our housing affects our school population, the supply or shortage causing rapid shifts in our population, and overcrowding, and sometimes even the unhealthy result of taking the children of our middle-income families completely out of the whole school areas.

Because hundreds of thousands of families have been forced to the suburbs in their search for decent housing which they could afford, fewer people use our extensive and expensive rapid transit facilities, while many more commute by car, creating traffic and parking problems faster than we can solve them. And as we all know, inadequate housing, slum conditions, contribute greatly to juvenile delinquency, with the increased costs for police and allied crime-fighting facilities.

This administration is, therefore, well aware of the housing problem. Much has been done, but not enough. In fact, unless our pace is quickened, we will be losing ground instead of gaining it in our fight.

There are nearly a million and a half people living today in 50,000 old lower tenements and my own committee for better housing re-

cently reported that at the present rate of replacement, these buildings will linger another 40 years. Just to make it perfectly clear, when we speak of old law tenements in New York, we mean buildings that were declared obsolete by statute 55 years ago. Should they be allowed to celebrate a full century of obsolescence; what can be done about them? What can be done in the way of destroying these obsolete and often unsafe quarters and at the same time increase our total housing supply?

We can't just tear them down without furnishing substitute accommodations. I think it is the unanimous opinion of everyone who has studied the problem here that there is no single agency of government that can handle the problem alone, and there is virtually the same agreement that private enterprise left completely to its own devices cannot handle it, either. No single government agency has the resources, and private enterprise has found no way to make any reasonable or justifiable profit from the investment of its own money in extensive slum clearance or rehabilitation except at rentals beyond those payable by the people who need the housing the most.

As a result of this thinking, we have had cooperation at the various government levels here in New York and we have been fortunate in that. The Federal, State, and city governments have given more than a billion dollars of their credit to date in direct financing of low-rent and middle-income projects, along with varying degrees of subsidies. Our great banks and insurance companies have been given tax concessions, and many projects have been erected as a result.

Individual builders, financed by Government mortgages and loans have built extensively on vacant land at the city's outskirts and while there were some abuses, the overall picture was fairly good. Some of our great educational and philanthropic institutions and some of our great labor unions have built or are building middle-income cooperative housing under title I of the National Housing Act of 1949.

To give you an idea of how long we have been underway here, the first federally subsidized project in New York City built by WPA labor is now 21 years old. Since 1939, the State of New York has bonded itself for three-quarters of a billion dollars, most of it spent in the this city. Fort Green houses, for 3,000 families, for example, was opened in 1942. The city itself, in addition to great tax concessions to public and private projects, has allocated a special 2 percent of its debt-incurring powers, one-sixth of its normal constitutional capacity, to finance middle-income housing, and it has already begun to re-use this borrowing capacity as a revolving fund as the projects have become self-sustaining.

At just one board of estimates session this spring—that is the governing body of the city, the board of estimate—we gave our approval to \$125 million of federally sponsored low-rent housing, and \$105 million of city-sponsored middle-income housing, all of which is now on or is rapidly coming off the drafting boards.

Yet we still lag behind our needs and still whole sections of our city are going downhill faster than we have been able to build them up. And with that situation come all of the civic evils and costs and losses that are associated with neighborhood decay.

There are reasons, of course, why we have not thus far kept pace. One is the terrific cost of erecting subsidized housing on the most valuable real estate in the world. A second is the problem of how to house



the people living in the buildings to be demolished before the new ones are ready, and a third problem is how to accomplish the goal of decongestion, removing the evil of overcrowding while still increasing our total housing supply.

I might point out in this connection that our supply of vacant land suitable for public development is rapidly diminishing. In weighing these obstacles, it became obvious to me many months ago as I weighed our housing problem in New York that we needed some new approach to supplement our present efforts.

I asked for further studies and a cooperative effort by all of the agencies to produce something that might help. I am happy to tell you today—and I may say parenthetically that this is the first time it is being announced—that we think we have that new and workable supplementary approach.

It comes as a result of conferences between many groups, the New York City Housing Authority, and the local office of the Federal Public Housing Administration, the State division of housing, the office of the city administrator, representatives of the city planning commission, borough president of Manhattan, and myself. It was also inherent in the thinking of the mayor's committee for better housing, now about to submit, or which is submitting, its final report. The plan has been agreed upon in principle by myself and all of the city agencies.

I cannot, of course, commit any of the Federal agencies involved or even the autonomous city planning commission, or the various elements of private capital that will be involved, but I have reason to believe that they will be sympathetic and cooperative to the point of making the program a success once we get it under way.

It involves a cooperative effort on the part of private enterprise and the city, State, and Federal Governments to rehabilitate one entire section of our city, to concentrate on it rather than a few square blocks here and there. If it works in this one area, we will repeat it elsewhere.

For the program we have tentatively selected the west side of Manhattan, from the Hudson River to Central Park, from 59th Street, which is north of us here, to 125th Street as the first area in which we should concentrate our efforts.

This is a great section of our city. The parks, playgrounds, schools, great public institutions, many fine residences, many decaying structures, obsolete, misused, overcrowded, and unsafe. If left alone, slum conditions may take over more than they presently have. But just as it would be wasteful to let this great area, centrally located and close to transportation, decline any further, so it would be equally wasteful to tackle it in one vast bulldozer operation.

It would be also impossible and undesirable. We would have no place to house even temporarily all of the displaced people. And there is no necessity for that kind of operation, either. There is too much good in that area in fine buildings and homes. What we do plan is an operation in which Government and private enterprise will join in saving the good buildings, rehabilitating those consistent with that cost, and erecting new buildings in the place of those that are too far gone. The first step to be taken is to ask the city planning commission, which is the appropriate city agency, to declare this area an urban-renewal area within the meaning of the 1954 Federal Housing

Act. That is the necessary governmental step for the following things to happen:

Private capital would then become eligible for the very substantial mortgage financing available for the first time under the 1954 Federal Housing Act. Planning funds from the Federal Government for the public agencies would also become available to test the suitability of various approaches. In the meantime, as an encouragement to private enterprise to enter the area and also to make sure that the housing needs of the present low- and middle-income families there are met, there would be simultaneous joint Federal and city action.

Chairman Cruise, who is here, chairman of the New York City Housing Authority, has informed me that he is prepared to ask the Public Housing Administration, which finances all Federal low-rent housing here, to put the city's entire 1955-58 allocation of Federal subsidized housing, totaling a possible 8,000 units into the area. He is prepared also to recommend to the board of estimate that the bulk, if not all, of the city's credit available for middle income nonsubsidized housing during the same fiscal period be concentrated in the same locale, and Commissioner McMurray, of the State division of housing, has agreed to give preference here to State loans for co-operatives, as provided in the law passed at the last session of the State legislature.

As I said earlier, this would not be one vast bulldozer operation. For example, the public housing would not be placed in newly created superblocks. It would be spotted on individual blocks to encourage private builders, using Federal credit under the Renewal Act, to move in on adjoining territory. For example, an area of possibly 3 blocks would be selected in 1 place, another a few blocks away, until possibly 10 such areas were spotted up and down the west side. In each of these areas, on each block, the good buildings, the modern buildings, would be left untouched. Those which are still sturdy would be rehabilitated.

The plan I have seen shows how 5 of our typical brownstones could be thrown together into 1 small apartment house. Other buildings would be torn down, and while some area now occupied would be left for play space, each block would coin from 1 to 3 new public housing projects, single buildings, 10 to 12 stories in height, some of them for middle-income families and some for low-income families. We have been informed that the Federal low-rent housing funds previously used only for the superblock type of construction can be used both for single buildings and for rehabilitation, and it is our intention to use the city's credit area marked for middle-income housing for the same purpose and in the same way.

But the key to success lies not in the amount of Federal and city moneys put directly into public housing in the area. The key to success lies in the way we operate to encourage private enterprise to go in. It has always been pardonably loath to risk substantial sums on real estate in an area declining in value. We feel that if we set the pace, as we reclaim a three-block section here and another there, that private enterprise using the public credit under the urban renewal law will go in and reconstruct the adjoining blocks, since the area will be on the way up again.

Some may call it a gamble. We don't think so. The public credit invested in housing has always been safe. The housing always has paid off the portion of the costs that it contracted to pay. There have

been no defaults. Neither have there been any that I can recall on private borrowings for housing from governmental agencies. In fact, even where they overborrowed, the housing is supporting the debt.

If this plan goes through, we will have Federal low-income, city middle-income, State cooperatives, and private enterprise housing commingled in an entire section of our city, bringing new life and new values. It will be new housing alongside the old, but not the obsolete, and there will be no displacement of existing institutions of worship or hospitals or even police stations and firehouses. We think it will work. We intend to try it unless we become convinced somewhere along the line ahead as the studies are carried through to finality that it cannot work.

I am telling you gentlemen about it today while it is still in the planning stage, for several reasons: First, as you toured New York, you have been impressed, I am sure, not only with what has been done, but with what remains to be done, and I know you will ask how and when and with what.

Secondly, I am telling you about it because we will need the cooperation of the Federal Government, of which Congress is such an important branch. We will need the sympathetic consideration of the authorities in Washington to meet the special problems. We will need an attitude in Washington that will look at the task to be done and not at the semicolons in the statutes.

You gentlemen in Congress can help us, and I know you will, simply by the report you will take back with you, and by the consideration you give to the needs of the largest and greatest city in the world.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Mayor. That was a very interesting and informative statement. We appreciate your coming, and we want to ask you a few questions. Yesterday we saw many accomplishments in the housing field here in New York, and we were impressed with them.

We also saw the great need you mentioned and we were impressed with that. What you have presented seems to me to be a very ambitious program even for New York, and I am pleased to see that you emphasized the fact it must be done not by any single agency of Government, not by Government alone, but by private enterprise in cooperation with the various housing agencies of the various levels of government.

Mr. WAGNER. That is true, sir.

The CHAIRMAN. I assume that in the private enterprise part that you are talking about, the clearing of the slums, you envision the use of what we call title I, the slum clearance, the write-down of the property, and then the buildings to be put back under, well, we call it section 220, the private enterprise money to be used. Is that your plan?

Mr. WAGNER. Well, we, of course, have a number of title I projects here in New York, as you had the opportunity, I am sure, to see yesterday. Congressman, and we have a number of others awaiting approval by Washington and they have been waiting for some time. Of course, we have others in the planning stages, too; one of them that is in the planning stage is part of this area that I mentioned from 59th Street, up to 125th Street, called Lincoln Square project, which again is up for study now.

The CHAIRMAN. How many public housing units does the city of New York anticipate building this year?

Mr. WAGNER. Well, Chairman Cruise.

Mr. CRUISE. Eight thousand Federal units and about 2,500 units built by State credit.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. Mr. Mayor, what is specifically the stumbling block in getting these approvals from the FHA on title I?

Mr. WAGNER. I think Mr. Leibold and Commissioner Moses would be in a better position to tell you, because Mr. Moses has been and is chairman of our slum-clearance program, and Mr. Leibold is counsel to that committee and handling direct negotiations with Washington. I assure you I have been after them, and they report they have been after the FHA for a long time to expedite the approval of these title I projects.

One of the difficulties that we have faced, and I understand from the newspapers you saw some of it yesterday, where we had hoped to move ahead on these projects. People were dislocated, taken out of their homes on the sites of these title I projects, moved to other places, sometimes rather slowly, but then you find 2 or 3 blocks leveled, and very rightfully people wonder why they have been dislocated, and nothing is happening in the area, for that reason, and also for the realization here of the need of just as much housing as we can get and as fast as possible, we have been urging through our slum-clearance committee, on the part of the Federal authority, and I am sure Mr. Leibold is here, and Commissioner Moses will be glad to go into the exact details of the delay.

The CHAIRMAN. Any questions, Mr. Gamble?

Mr. GAMBLE. No, Mr. Chairman.

Mr. ADDONIZIO. I just want to say one other thing, if I may, and that is I don't want to be repetitious, but I am sure, as Congressman Rains pointed out, we have all been impressed by the fact that the city of New York has done something about housing.

I was wondering whether you had any specific recommendations that you would like to make to our committee which we could carry back to the Congress to further implement the present housing laws.

Mr. WAGNER. Well, of course, we have been urging for some time even more consideration for a greater number of units in our low-cost public-housing field and I am sure Chairman Cruise and the others in conference with me would set forth to the committee in detail specific recommendations before the hearings are over.

Mr. ADDONIZIO. Thank you very much.

The CHAIRMAN. Mr. Gamble.

Mr. WAGNER. Could I interrupt just a minute to say, Congressman, that Chairman Cruise has reminded me one of our problems is the uncertainty as to the number of units we are going to receive. One year there will be 25,000 for the country, the next year 35,000, and if it is possible—I understand the problems that Congress faces, too—to have some sort of uniformity over a period of time, it allows us to do a little better planning for the future.

Mr. GAMBLE. Well, that would decide how fast you could get rid of your 50,000 obsolete units you speak of?

Mr. WAGNER. Well, that would be part of it.

Mr. GAMBLE. But, of course, every year you are going to have more obsolete ones; aren't you?

Mr. WAGNER. Yes; and they grow a little older all of the time.

Mr. GAMBLE. I was interested in page 6, where you say if the plan goes through that you are going to commingle these different enterprises in certain sections of the city. That, I think, was shown to us yesterday when we toured the upper part of Manhattan, because it is commingled, but there are sections where you jump over.

Mr. WAGNER. That is correct. The plan which we indicated here is to do that commingling, but on a smaller basis. Some of the Commingling, I am sure, that you saw were superblocks of middle-income housing, and then nearby superblocks of low-rent public housing.

The idea here is to do it on a smaller basis and preserve in those areas the good housing.

Mr. GAMBLE. Well, of course, doing that, tends to stabilize the prices of the existing houses that are good; does it not?

Mr. WAGNER. That is what we hope to do.

Mr. GAMBLE. Thank you, sir.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Mr. Mayor, I feel that you have made a real contribution. I come from Chicago and our problems are as your problems. As I see it, and as you have suggested, what we are doing now in our large cities is in the nature of major surgical operation. We must take care that in the operation the knife of the surgeon by inadvertence does not reach the heart of the patient.

In our program in Chicago we are going into districts and destroying some bad housing that should long ago have been destroyed and also some very substantial housing, and I think you have laid out a program here which we may well study in Chicago. Now what we are concerned with in Chicago, and I know you are, is how to provide housing for people in the middle-income group within their ability to pay.

Now, what is your need here in New York and how are you meeting it?

Mr. WAGNER. Well, we have been tackling that in a number of ways. The group that seems to have been forgotten in the past is the so-called middle-income group, where here a great deal was done, a great deal still needs to be done to provide housing for the lowest income groups, the poor people, and through the Federal and State and our own credit, we have built a good deal of low-rent public housing.

The city also, using its credit, has built a good deal of middle-income housing where the rates run anywhere from around \$15 to \$19 or \$20 a room. Then title I, the rentals will run in some areas \$35 or \$40 a room, we hope in some areas a little less, depending on the cost of the land operation. And then, too, this plan seeks to provide for more middle-income housing. We have a problem, here too, in some of our areas with private housing. For instance, the area that I used to represent in the State legislature, and I still live there, the Yorkville area has increased in value and a lot of the old cold-water flats are now being bought up by private builders and, because of the increase in the value of the neighborhood, they are building large apartment houses, and many of these people are being displaced.

Now under an operation where Government is involved, those tenants are relocated in some way, and a lot of these people now find

themselves in a great deal of difficulty because the private builder is in no way responsible for relocating.

Mr. O'HARA. I was interested to learn yesterday that under your law in New York, you can regulate the taxes; that is, where you build new structures, the owners of the newly improved properties pay in taxes that which the property formerly paid when it was slum.

Mr. WAGNER. That is right.

Mr. O'HARA. That has been helpful to you?

Mr. WAGNER. It has been helpful and we now have some legislation—we are trying to work out the details of it—it has had a few little kinks here and there—where the State and city will lend its credit to private builders, and we will give them a certain amount of tax exemption, not complete tax exemption on the new improvement, but 40 percent on that, so they can bring their rentals down, and by borrowing from the State and city they can borrow at lower rates.

Mr. O'HARA. Do you feel that you could have made the advance that you have made unless you had that power under your New York law to regulate the taxes?

Mr. WAGNER. Well, I am sure that in these projects we could not have been able to get the rentals down without the right of giving tax exemption, and therefore we wouldn't have been able to provide housing for this middle-income group.

Mr. O'HARA. Mr. Mayor, it would be very helpful to us if we could receive from you, not so much for this committee, but to submit to the legislators in Illinois, the factional outline of your experience with the tax-exemption provision of the New York law.

Mr. WAGNER. I am sure that Chairman Cruise and those in the slum clearance committee will be delighted to send it to you.

Mr. O'HARA. I might remark to you, Mr. Mayor, the Mayor Daley wished to convey his regards to you, and as an expression of his great regard for you, has sent his deputy housing coordinator, who is sitting over here, the Honorable David Mackelmann, to attend this session and to take back with him a report of your remarks here today.

Mr. WAGNER. And I hope you will convey my warm regards to the mayor, Mayor Daley.

The CHAIRMAN. Mr. McDonough.

Mr. McDONOUGH. Mr. Mayor, the area that you have outlined for this new rehabilitation and urban renewal program is on the west side of the city?

Mr. WAGNER. That is correct.

Mr. McDONOUGH. Is it the worst area in the city?

Mr. WAGNER. No; not by far. There are some very fine buildings in there. There are some very high-class residential apartments. There are some private home in through there and yet there are parts of it that are run down. You will find even an instance where on the corners there are good residential areas, and inside in the street there has been a depreciation of values because for various reasons they have let the property run down and, of course, some of it is very old too.

Mr. McDONOUGH. Well, anticipating that there will be no unnecessary delays in the commitments or in the other operations, how long do you think it will take to rehabilitate that area?

Mr. WAGNER. Well, to rehabilitate the whole area would take us a good long time, 3 or 4 years.

Mr. CRUISE. Four to five years.

Mr. McDONOUGH. Now, in the meantime are you using this as a pilot experimental area, and are you not looking at the other areas that need rehabilitation?

Mr. WAGNER. Well, those who worked on it looked at many areas in the city. They thought this would be a good one because it has some good stuff in there and some poor housing and, as we progress, no doubt we will move ahead to designate other areas, and we can profit by our mistakes and profit perhaps by our success in this area too for the other areas of the city.

I indicated we hoped to, if this is successful, proceed through the city in the same general direction.

Mr. McDONOUGH. I noticed in touring the city yesterday—I think we were on 10th Avenue—and the committee went into a 1-room apartment. The lady was home and she had three children. Her husband was handicapped physically. It was the most inadequate living quarters I have ever seen. Here were eating quarters, sleeping quarters, and the only place they had to move at all was to get out on the street, and they informed us that they were paying \$75 a month for that 1 room.

I thought that was ridiculous. I thought the woman was wrong when she made the quotation on it.

I understand you have rent control here.

Mr. WAGNER. State.

Mr. McDONOUGH. State rent control.

Mr. WAGNER. Yes.

Mr. McDONOUGH. And if we rehabilitate some of the buildings in the area that you outlined that we are going to provide modern, up-to-date housing facilities for as much as \$35 to \$40 a room, and here is a place that isn't fit to live in today that is costing \$75 a room.

Mr. WAGNER. That is correct. We have been very concerned with that, Congressman, and I am sure that the State rent administrator is concerned too. He has the jurisdiction over the rentals charged, and we have found over the years there has been a great deal of this converting of, say, private homes into these smaller rooms and renting each room out at an exorbitant rate, providing inadequate housing facilities, and last year we passed a local law here calling a moratorium on the conversion of apartments to rooming houses of this type, or buildings to rooming houses of this type, until we had an opportunity to adequately rewrite the law as to new standards of what should be an apartment building and what should not be.

I am sure that you were in one that was converted prior to the enactment of that law.

Mr. McDONOUGH. Yes, undoubtedly. It was a very old building. But the thing that impressed me was that if this existed in this area, it must be multiplied many times over in that area or other neighborhoods, and if such a violation of rent control is going on, there ought to be some very strict enforcement of it.

The lady informed me that they were on relief. Now, the State relief agency is paying that \$75 a month to some landlord here in New York City, so that the occupant is not too concerned about how much the rent is, although they should be concerned with the inadequate living quarters. But the relief agency is paying to the landlord, and it appeared to me to be something that ought to be checked into.

I don't want to appear too critical of your administration or the State administration. But I do think that where we find conditions like that existing, it should be investigated.

Mr. WAGNER. That's right.

Mr. McDONOUGH. I notice in your statement you say that you have been wrestling with this public housing and slum clearance program since 1934.

Since New York City has had this problem since 1934, it seems you haven't made much progress since then.

We have had Federal aid legislation to build some 600 public housing units in Los Angeles County in 1937 and at the same time I think there was a number of public housing units built in New York City.

Mr. WAGNER. That's correct.

Could I just mention this: We here in New York City take advantage as much as possible of any help that we can receive from the Federal Government. We have continually asked that the Congress increase the number of units available each year.

We have asked the State, too, and I am informed, and Chairman Cruise can give you the exact figure, we are the largest landlord here in the United States in taking care of people in our projects.

Mr. McDONOUGH. The city of New York?

Mr. WAGNER. Yes. I think we must remember this: At the time of the enactment of the first housing act, the whole emphasis rightly was on clearing slums.

Mr. McDONOUGH. That's right.

Mr. WAGNER. And giving people an opportunity, which is certainly the right thing to do, of providing them with decent homes and giving them air and light and sunshine and recreational facilities to the children, but there wasn't the tight housing shortage at that time that we have now, and we find in many instances that when we clear a slum area, because we want to provide adequate housing there, because we are restricted to some extent by our zoning regulations, that we are providing less units than existed in the area when they were slums, and therefore people must be moved somewhere else, and for that reason, for the fact that we have a large migration here from all over the country to New York City, we have had a very tight housing shortage, particularly in the lower income groups, and therefore they are forced into situations that you saw yesterday.

To meet that, we have, I suppose, to some extent deviated from the original intent of the law of clearing slums and we have to build some of our projects on vacant land to siphon off the extra population due to the clearing of the slums, and we are trying to have that program work together, so we are clearing slums and also creating new housing on vacant land in order to take care of the increase in population, and those who are losing out in the site area.

Mr. McDONOUGH. Well, Mr. Mayor, I appreciate your statement and I realize the great responsibility you have in being mayor of this tremendous city here. I admire your courage in seeking the office and serving.

Mr. WAGNER. Well, I remember, Congressman, when I used to be concerned about it. My father used to tell me, "If you don't want to do it, thousands of others will."

Mr. CRUISE. Congressman, can I just offer one statement?

Mr. McDONOUGH. Yes, Mr. Cruise.



Mr. CRUISE. Originally, in 1947, the Federal housing bill provided for 125,000 units annually. Then it was cut back to 75,000, then to 50,000, then to 20,000, and went back to 35,000 last year.

We were fortunate enough in New York City to get 8,000 of the 35,000 units, and when you mention specifically the family on the West Side there in the Chelsea area, it is because of the lack of housing. We simply cannot take care of the family. It depends on the amount of housing allowed to New York City, the units allowed to New York City for public housing.

Mr. McDONOUGH. Well, I still think the rent is too high.

Mr. CRUISE. There is no question about it, but the reason the landlord preys on them is the fact that that family has nowhere else to go.

Mr. McDONOUGH. If they weren't on relief, they wouldn't be there, and if that man had a job and had to pay \$75 for 1 room, that is too much rent.

Mr. CRUISE. That's right.

The CHAIRMAN. Thank you, Mr. Mayor.

I want to ask the other gentlemen to ask questions, but I want to remind my colleagues we are running behind time.

Mr. WIDNALL. I have two questions.

After seeing the fine progress made in New York under a joint program, State, city, and Federal, don't you believe that to adequately do the job for the future that communities should have a workable plan, an overall plan for renewal and development so that they are not creating the slums of tomorrow?

Mr. WAGNER. That is correct, and we hope, Congressman, in this plan we have some of the solution.

Mr. WIDNALL. I think from what I have seen that you have pointed the way more than many other municipalities that have fought against that type of direction from a Federal level.

I think efforts have been made within the past few years particularly to try to get the communities themselves to realize they have many problems that they must take care of at the same time.

Mr. WAGNER. That is correct.

Mr. WIDNALL. Now, the second thing is this:

You spoke about a new area that you are planning on going into that is west of Central Park. Don't you believe that if you do that as contemplated that you will materially reduce the tax revenues through concentrating so much public housing in that area?

Mr. WAGNER. No, Congressman; it won't be all just public, low-cost housing. We want to encourage cooperatives to come in there. We want to encourage people to come, private enterprise, to come in under the State law, and the Commissioner of Housing in the State, Mr. McMurray, has indicated—more than indicated, has pledged his cooperation in this, and we want to induce private capital to come in and build there, particularly, doing away with some of the older buildings.

Values are going down. In that way we will create a new value for the area and increase it. It would be not merely leveled off and just build low-cost public housing with tax exemption.

Mr. WIDNALL. Has your experience been where you have built public-housing units that surrounding property has increased in tax revenues?

Mr. WAGNER. It has increased. I think not as much as some people<sup>is</sup> thought originally, but it has increased. It has helped the area, the general area outside of the housing.

Mr. WIDNALL. Thank you.

The CHAIRMAN. I need to ask one question:

Mr. Widnall asked you about the workable program which is a bone of contention in the Federal housing program over the past 2 or 3 years, and I assume the question he asked you about had to do with the so-called workable program which is set up by regulation of the Housing Home and Finance Agency in Washington.

Your answer to him was that it was no problem with you.

Now, I believe you have more housing experts, and I compliment them as being the best in the country, maybe than we have in Washington.

But in a municipality where you don't have all of this vast knowledge and experience you wouldn't say the workable program couldn't be a hindrance to a community which was not equipped as you are in the housing business?

Mr. WAGNER. I certainly would agree 100 percent, Congressman, that we should try to streamline it as much as possible to allow those smaller areas in our country that need help just as badly as the larger areas, to find their programs moving ahead more rapidly.

Again, we are fortunate to have here people who are not only able in housing but also good and aggressive, too.

The CHAIRMAN. The best in the business.

Mr. Ashley.

Mr. ASHLEY. Mr. Mayor, I was extremely interested in the program that you outlined because it seems that it attempts to meet a vast problem on many levels, public housing, renewal, and as you have just said, it incorporates an effort to entice private builders into the area, too.

It would be a misnomer to call it simply an urban renewal program.

Don't you agree to that, sir?

Mr. WAGNER. Well, I suppose it is hard to find a term that could adequately describe it, but the program is to try to rehabilitate the whole area.

Mr. ASHLEY. An entire area on many levels.

Mr. WAGNER. Rehabilitate parts of an entire area.

Mr. ASHLEY. Mr. Chairman, at this time I have a very excellent article from this morning's, that is, October 5, Daily News, and with your permission, sir, I would like to have this inserted in the record.

The CHAIRMAN. What is it?

Mr. ASHLEY. It is entitled, "The Middle Income Housing Muddle."

The CHAIRMAN. Does it have to do with the problem here in New York?

Mr. ASHLEY. Yes, it does, Mr. Chairman.

The CHAIRMAN. All right.

(The article referred to above is as follows:)

[From Daily News, October 5, 1955]

#### CITY BEFUDDLED BY MUDDLE IN MIDDLE INCOME HOUSING

(A subcommittee of the House Banking and Currency Committee begins in New York today the first of a series of hearings to be held throughout the country on housing problems. In a series of four articles, the News herewith examines New York City's most critical housing problem—the shortage of middle-income

housing. The series should prove instructive reading for members of the committee—and all New Yorkers.)

(By Sydney Mirkin)

Rich man, poor man—either can find a home in New York City. But brother, if you are a member of that vast fraternity called the middle-income group, New York is whistling a catchy little tune right at you. It's a bright number called Get Out of Town.

This form of civic suicide has been going on for years now and it is snowballing. But why?

Governors and mayors have issued dire warnings about the great loss to the city and have appointed committees to study the problem.

Unfortunately, decent middle-income housing can't be built with the paper used for committee reports.

It's not that middle-income housing isn't being built in the city. The New York City Housing Authority has under construction or in the planning stage half a dozen large developments. And labor and civic groups are sponsoring several huge cooperatives.

But all this is like trying to dam the Hudson with an erector set.

#### RUSSIANS TO GET A LOOK AT THEM

The new developments will be examined on Thursday and Friday this week by a group of Russian experts touring the United States as guests of the National Association of Home Builders. They will see low-rent houses, cooperative developments, and other new construction of which the city is rightly proud.

But if they get a chance to see the living conditions of some folk who can afford decent housing but can't find it, they'll think they never left the Communist homeland.

Only a month ago Mayor Wagner released a report from a subcommittee of the mayor's committee for better housing which estimated that some 450,000 New Yorkers are in need of satisfactory housing at rentals from \$16 to \$24 a room per month.

The report said more than 300,000 of these people were living in substandard homes and another 30,000 to 40,000 in doubled-up or overcrowded conditions.

"This is New York's No. 1 housing problem," the committee said.

This vast group is in the no-man's-land of housing—an area where the private builder cannot make a profit and public agencies move slowly or not at all.

#### SO THEY'RE CAUGHT RIGHT IN MIDDLE

They are civil-service and white-collar workers, skilled and even semiskilled labor, small-business men and minor executives in any of the thousands of companies that make New York the commercial capital of the world.

They aren't eligible for the city's subsidized low-cost housing where, even with the new higher limits recently announced, a couple with no children has to earn less than \$64 a week and a family with 5 minor children less than \$77 a week.

This group can't afford any of the fine new apartments going up in Manhattan at rentals of \$50 and up per room. They can't even manage the monthly bill for apartments in Queens, Brooklyn, and the Bronx at \$30 to \$35 a room per month and up.

What they do depends on the individual circumstances.

Some young couples move in with his or her mom and pop. Some families take whatever they can get, which usually means inadequate old buildings lacking modern sanitary facilities.

Some families double and triple up with others to take over large apartments in fine old buildings. This has happened on the upper West Side and the result is given an apt name by State Housing Commissioner Joseph P. McMurray. He warns of skyscraper slums.

But most families caught in this housing vacuum do the obvious thing. They get out of town by the tens of thousands.

They head for Nassau County and nearby New Jersey—and to a lesser extent, Westchester, Fairfield, and Rockland Counties. Taking advantage of small downpayments and easy terms, they buy houses. And if they can't manage the downpayment they have a chance at low rent until they can get the downpayment.

The mayor's committee says that the loss of middle-income people by the city is a misfortune of the first order.

The committee isn't just being sentimental. When these families leave town the city feels it immediately in sales tax and other tax collections, in declining use of transit facilities, and in dozens of other ways.

What are some of the reasons for this situation? They are not very complicated.

The first is that building and maintenance costs have gone up. As an example of how much difference this could make, Metropolitan Life Insurance Co. experts say that if they set out today to duplicate Stuyvesant Town, the vast East Side development in lower Manhattan, they would have to figure on a rental of about \$40 a room.

Yet when the first families moved into the development, only 8 years ago, rents were set at \$17 a room.

A metropolitan executive, who has been in the construction business throughout a long career, said: "We used to be able to estimate costs in advance. But with material and labor constantly going up, it's gotten to where you just can't make an estimate."

#### BUILDERS CAN'T DO MIDDLE-INCOME JOB

There are private builders who say that the metropolitan's building costs are excessive because they bend over backward to use the best possible materials, even when many others consider them nonessential.

But even these builders say they can't do the middle-income job. In the course of research for these articles one builder estimated he could build and make a profit in Manhattan at \$27.50 a room but he finally asked to recheck his figures. He never made a substitute estimate.

What emerges therefore is the fact that if the private builder can't do the job he must have some form of help from the city, State, and/or Federal Government.

This fact is so obvious that both Republicans and Democrats agree on it and often have worked together amicably to seek a solution to the problem.

To see what effect Government action can have in helping to adjust rent levels, let's examine what factors make up your rent bill. They are:

Cost of the land; cost of the money—or interest on the mortgage—taxes; operation costs, and profit.

The various Government agencies have offered every kind of help except in operation costs, where they would have no business interfering.

But the sad truth is that, as often seems to happen when the Government gets involved with private business, there are all sorts of bureaucratic snafus which manage to snarl legislative generosity in redtape and inertia.

The Federal Government offered aid to cities in lowering land costs under title I of the National Housing Act of 1949. This provides for clearing slum areas and turning the land over to private builders at low cost. The Federal Government absorbs two-thirds of the cost, provided the city antes up the other third.

In addition, the Federal Housing Administration can insure the mortgage of the project up to 90 percent of its face value. This means that the bank or whoever else puts up the construction money is not taking much risk. This was intended to make the flow of money for such projects easier.

Sounds great, doesn't it? Low land costs, reasonably cheap borrowing. But what happened?

The FHA got a loud and deserved rap over the knuckles for letting a lot of smart boys walk off with windfalls and they have been so scared ever since they won't do anything at all for fear of doing something wrong again.

#### FHA DOES NOTHING AS MOSES STEAMS

The do-nothing policy of the FHA has been attacked again and again with no result. The latest barrage came from New York's champion "holler guy," City Construction Coordinator Robert Moses.

Moses, who has a low boiling point, really steamed as he accused the FHA of holding up as many as a dozen slum-clearance projects for as long as 2½ years.

Backing him up was Clarence R. Knickman, who quit as local administrator of the Housing and Home Finance Agency, parent of the FHA, because the FHA "sat on its hands."

As a measure of the action status of the agency, Knickman quit in June and his job hasn't been filled yet.

These blasts were followed last Thursday by the first Federal action to guarantee a loan to private capital for slum clearance.

Amid much hoopla, Federal Housing Administrator Albert M. Cole signed almost \$6,500,000 in mortgage commitments—90 percent of the total required outlay—to let private building get going on a program in north Harlem.

But the builders estimate that rents in the project will run about \$32 a room. Slum clearance? Yes. Middle-income housing? Pretty steep.

Do-nothing attitudes are not limited to the Federal level. They occur almost anywhere. Even in New York City's government.

The last session of the legislature, after long hearings and after consultations between the Republicans who controlled the legislature and the Democrats who run New York City, passed the Mitchell-Lama bill.

#### MUST BE PUT BEFORE VOTERS NEXT MONTH

The key portions of the bill empower both city and State governments to lend money to private corporations to construct low-rent housing. The companies may borrow at low interest up to 90 percent of the cost of construction but they also have to limit their profits to 6 percent or less.

What this bill was designed to accomplish was the stimulation of housing for middle-income groups

The State government, under the Mitchell-Lama bill would set up a fund of \$50 million for the low-cost loans. This provision has to be submitted to the voters in a referendum next month but already Housing Commissioner McMurray has had his staff at work planning allocations.

The city was empowered to act at any time it chose.

But so far, New York City hasn't moved to use the provisions of the bill. The center of the opposition has been the office of the comptroller, Lawrence Gerosa.

Deputy Controller Louis Cohen, speaking for Gerosa while the boss is abroad on a vacation, offers a number of objections to the bill. The objections range far and wide.

One is that the controller's office was not consulted in drawing up the bill although he is charged with much of the responsibility for its administration.

The late Democratic boss, Ed Flynn, who sponsored the political careers of both Gerosa and Cohen, might not have understood his next objection.

#### POWERS, DUTIES ARE CONFUSED

Cohen said that the controller would have to set up a separate division to administer the bill and would have to hire a lot of expensive people to fill new jobs. He estimated it would cost the city \$500,000 a year to run the new division.

Cohen said the corporation counsel's office had gone over the Mitchell-Lama bill and offered the opinion, among others, that the powers and duties of the city and State were confused.

This gets to the nub of why the city is holding out for amendments before it does anything about offering low-cost loans for middle-income housing.

Cohen complains that the bill gives the State housing commissioner authority over the administration of the loans by the city.

In a rare burst of frankness, he added, "It might be all right now with this fellow McMurray. But the Democrats might not always be in control of the State. The Republicans could come in here and raise hell with us."

Mr. ASHLEY. There is one paragraph that I would like to use at this time. It relates to the Mitchell-Lama bill which was passed in the general assembly.

Mr. WAGNER. State legislation.

Mr. ASHLEY. Providing a fund of \$50 million for low-cost loans. I am quoting now from the Daily News:

The key portions of the bill empower both city and State governments to lend money to private corporations to construct low-rent housing. The companies may borrow at low interest up to 90 percent of the cost of construction, but they also have to limit their profits to 6 percent or less.

Now, I wonder, Mr. Mayor, if you could give me some idea of the effectiveness of this if it is passed by the voters.

Mr. WAGNER. All I can say, Mr. Congressman, is that we hope it will be effective because the legislature just passed it this past spring, and over the summer months the office of the State commissioner of housing and our comptroller and some of our other agencies have been trying to work out the details of the program.

There have been a few spots that have been a little bit rough, but we had a meeting only about last week or so where I brought the parties together to try to get them to work out some of these misunderstandings, and to get into the problem, for instance, of the comptroller of the city of New York who is responsible for our finances here.

He was concerned that he wouldn't have adequate control over the auditing, and so forth, and the details of the work.

Now, those are matters that I think should be worked out.

Mr. ASHLEY. Yes.

Mr. WAGNER. I know they will be, and we sincerely hope that by this time next year we will be moving on that program.

Mr. ASHLEY. You feel that your problems with respect to this legislation are of an administrative nature?

Mr. WAGNER. That's right; and there is some thought too that some amendments should be enacted at the next session of the legislature, but I sincerely hope in the meantime we can proceed with our plans.

Mr. ASHLEY. Do you think that builders are going to be interested in the 6-percent profit?

Mr. WAGNER. I am informed that quite a few are interested in the project, and I think the State commissioner, Mr. McMurray, assures me too that under their State program they have had a good many inquiries expressing real interest.

Mr. ASHLEY. Thank you, sir.

The CHAIRMAN. Mr. Mayor, I want to thank you for coming, I know you are a very busy man.

When I went to Congress and was a fledgling assigned to the Committee on Banking and Currency, the great leader on housing was your distinguished father, and I think you are doing a good job following in his footsteps.

Mr. WAGNER. Thank you very much, gentlemen, and we appreciate your coming to New York to help us with our problems.

Thank you very much.

The CHAIRMAN. The next witness is Mr. Joseph P. McMurray, New York State Housing Commissioner.

Mr. McMurray, we are delighted to have you here. You don't need any introduction, and no member of this committee needs any introduction to you.

Joe, as all of you know, for a long number of years was with us in the Congress as counsel to the Senate Committee on Banking and Currency, and did a real job on housing.

#### STATEMENT OF JOSEPH P. McMURRAY, HOUSING COMMISSIONER, NEW YORK

Mr. McMURRAY. Thank you, Mr. Chairman.

First of all, I want to tell your committee how happy and honored I am to have the opportunity to appear before you. It is a little

unusual to sit on this side of the table. Most of my testimony before has been whispered in a Member of Congress' ear.

It has been my great privilege and pleasure to know each one of you personally and to have worked with you on numerous occasions in the past. I, therefore, know from personal experience how deeply concerned you are about the problem of better housing for our people.

I want to commend you, Mr. Chairman, for undertaking this very difficult and complicated job, and I think you have started extremely well. I have always felt that congressional committees spent too much time in Washington, and that they would learn more and do a great deal more educational work if they went to the grassroots like your committee is presently doing, to find out what the problem is at first hand.

I also want to commend the excellent staff work that your committee has already done, and I think that I certainly can qualify as an expert on at least this one subject, since I was so long engaged in staff work myself. Your staff came up here and spent a great deal of time with the witnesses that are going to appear before your committee and numerous other experts in the field of housing. And as a result, the testimony that will be presented you will be more meaningful, and more directed to the questions with which your committee is concerned. I met them last week in Chicago and they were engaged in the same operation. Such scientific and meaningful approach to your subject can only result in your committee doing the most important job in the field of housing that has been done since Senator Taft made a similar investigation for the George postwar committee after World War II.

You have done a great deal already. Since it was announced that your committee was coming to New York, wheels started to move in the FHA and there was a good result. On last Thursday the FHA gave the first commitment on a section 220 FHA loan that has been made under this program. If you will do nothing else in this investigation than to get the FHA going on this very vital program of providing rental housing, you will have already earned the applause of our Nation, and certainly the thanks of this city and State.

The only thing I regret is that it took a year longer than I believe was necessary to get this program into operation. As a matter of fact, it took more than a year. Most of these jobs were started in about July of 1952, and they were seeking commitments, under section 213 and under section 207. As a matter of fact, it is really 3 years too late. At such rate of progress by the FHA it might have been another year before the commitment was issued if your committee had not announced its visit to this city.

Knowing that you have many important witnesses and knowing how valuable your time is, I do not intend to take up the time of your committee reading a very long statement. I am, therefore, submitting to you a more formal document which will more fully explain my views. In that statement I refer to accomplishments in the field of housing in our State, which have been great indeed. I also refer to the shortcomings and the unfulfilled needs, which are tremendous. I also discuss what the Federal Government and New York State are doing about it and what remains to be done.

I would like to limit my oral testimony to emphasize just a few points. But, since it is in the beginning of your hearings, I think it

might be well if I attempt very briefly to set the background for this whole problem. A good housing program provides the foundation, in my opinion, for a free and democratic society. I, and I believe you and the American people for the most part, start with the fundamental assumption that we human beings are made in the image of God. That because we are made in the image of God, we derive a dignity as individuals. Man must respect first of all his own dignity. He cannot respect his own dignity if he lives like an animal. He cannot respect the other fellow if he does not respect himself.

Therefore, it seems to me that it is fundamentally important to give each and every individual human being the material wherewithal and the opportunity of living in decency and respectability. When he takes advantage of such opportunities, and all but a very small percentage of people will, he begins to respect himself, and he begins to respect the other fellow. Once people start to respect themselves and the other people, we have solved most of our social problems.

Let me give your committee a personal experience of what I am trying to tell you about.

Not very long after I became State housing commissioner, I made a visit to the Chelsea area in the west twenties of our city, where you gentlemen were visiting on yesterday and to which Congressman McDonough referred. I visited a number of the homes of some of our poor Puerto Rican families. In one of the homes there was a mother and father and 7 children ranging from approximately 14 months to 17 years. They all lived in 1 room with a curtain to divide the room into 2, a room not longer than 14 by 12.

The children were clean and neatly dressed. The house was kept in good order. The people were very friendly. There were evidences of religion and respect for their God about the room. I inquired as to the whereabouts of the father, and whether he was working. The wife answered and told me that he was working but had to take the day off to pick up his oldest boy and bring him back home on parole. I could not help but wonder just how long that boy would sit around that household, with six other small children around, together with cooking and other family activity in progress. Certainly, in a day or two he would be back in his old haunts and would soon again be a burden to our society. I wondered further what would happen to the other children as time went on, and also to the mother and father in the process.

This is a closeup of what we are talking about when we speak of the problems we must solve. No decent American citizen would allow such a situation to continue if he could do anything about it and, gentlemen of this committee, something can be done. There are other kinds of situations that are not as bad as this, but are still very severe. I have in this city many of my own friends and relatives who are forced to live in inadequate and congested dwellings.

I know after your visit around New York City yesterday and the other visits that you will make throughout the country in other cities, after you see the tremendous size of our problem, your tendency may be to throw up your hands and say, "How can I do anything about it? It is just too big and it is just too complicated." It would seem like trying to clear the way by chipping rocks off the mountain by hand.



Your problem is a big and difficult one but, because it is big and difficult, so much more the challenge, so much more the reason that we Americans have to do something about it.

The President's Advisory Committee on Housing in 1953, and you are familiar with the composition of that committee, was composed of a group of experts in the field who could not be labeled as liberals or radicals but by some were labeled conservative. As a matter of fact, I know each one of them individually, and I call them experts and men who are trying to solve the problem we are now talking about. They estimated that it would cost about \$15 billion to clear our slums and \$9 billion for public improvements in rehabilitated areas. This did not include the cost of rebuilding the 5 million units which have to replace those structures that they said would have to be removed. Nor did it include rehabilitation of the deteriorating structures. In addition to all this, there are probably some 2,500,000 units beyond rehabilitation outside of slum areas that should be torn down and rebuilt.

Assuming our present rate of construction continues, it would still take—and this is a rough estimate—an additional billion dollars to eliminate our slums and provide, in the words of the Housing Act, "a decent home in a suitable living environment for every American family."

The present slum-clearance program authorized one-half billion dollars in loans and one-half billion dollars in grants over a period of the next 2, possibly 3 years. In other words, at this rate and in view of the President's committee's estimate of our slum problem, it would take 120 years to clear our slums and put in minimum public improvements in areas that can still be rehabilitated.

We were spending at the rate of \$100 billion annually near the end of World War II, or almost \$2 billion a week for war. I ask the committee, Shouldn't we be willing to spend for better housing, better neighborhoods, better living, and better citizenship on an annual basis an amount equivalent to one-half of 1 week of what we were willing to spend to fight evil outside our own Nation? Instead of doing the job in 120 years, shouldn't we be willing to spend a billion dollars a year on slum clearance and prevention so that we could do the job that needs to be done in 24 years?

Again let me emphasize that this does not include the cost of building the new housing to replace what we demolish, nor of rehabilitating the millions of dwellings that need to be brought up to minimum standards of decency. I fervently hope that you will ask yourselves these questions when you complete the hearings and when you make your recommendations to the House of Representatives.

The size of the job is so large that no group by itself can make a dent in it. The only way that we can make progress toward the solution of this problem is by enlisting the active and vigorous support of every group that has a responsibility in connection with the housing program of our Nation, to do much more than they are presently doing, and to coordinate their efforts and unite with others and our Government in going forward with this program.

The time has long passed when we should be wasting our energies and our time criticizing the other fellow for what he has attempted to do. On the basis of a fair amount of experience with every major

group connected with this problem, I believe we all have a great deal to contribute to the solution of the problem.

I have learned, after working with all these groups, that no one has a monopoly on good intentions, nor do they have the storehouse of knowledge, or the tools available to do the job by themselves. If your committee can do no more—and I am sure it can do much more—than convince people that they should spend their energy working together and solving the problem, and discourage them from using destructive criticism, you will have accomplished a very great deal. I believe that your committee will be more convinced than ever after your investigation that the Government must continue to play an important, and even more important, role in getting on with the job. But to the extent that it is possible, and this is the tough part of our problem, Government can function best as a catalytic agent in filling in the gaps, so to speak, where necessary.

Certainly the Government has already done much—and I want to compliment first of all the Congress of the United States, and I am not saying this in any sense of polishing the apple—you people know me too well—but on the basis of first-hand knowledge of what the Congress did in various housing acts and otherwise—what the Congress did in providing a basis for a comprehensive approach to the problem.

It would take too much of the committee's time to relate what has already been done, but it is my opinion that Congress has been ahead of the people, certainly in this field. I have seen numerous Members of Congress time and time again—from the most so-called conservative Senators to the most so-called liberal Senators and Congressmen—vote for bills and amendments which would not make them popular in their own States or in their own district. But they did it because they recognized what the problem was and because they were convinced that the particular bill or amendment was in the interest of their people and the people of the United States. Believe me, members of the committee, I can document this.

Just look at the declaration of policy in the Housing Act of 1949, and I venture to state that no one could improve on it, that it forms the basis for the housing program of our Government. Certainly, it goes much further in pointing out the objectives of a sound housing policy than any statement or any article on the subject that I ever read. It must, of course, be further implemented, but I think it is important before I make what may appear to be critical remarks—I intend and hope they are constructive in nature—about some of the programs, that we understand that I am not forgetting, nor should we forget, what has been accomplished already.

Our national housing legislation should be a demonstration of what can be done; it should serve as a basis, and show the practicality of doing a great deal more. There is a tendency on the part of the American people to be overcritical and forgetful of their accomplishments. I think we should approach our problem with a balanced perspective.

The first and foremost solution to our problem is to increase greatly the inventory of our housing. Do not be concerned that we are building too many houses. No doubt, in some areas possibly, a few more houses are being built than will be readily absorbed in that particular market, but on the broad national front, we need have no fears of overbuilding as long as we build less than 2 million houses a year.

I would like to put in the record at this point an article which appeared in a recent issue of the World-Telegram and Sun, quoting at length from the president of the NAREB on the subject, Mr. Henry Waltemade.

The CHAIRMAN. It may be incorporated in the record at this point. (The article follows:)

#### WALTEMADE HITS "FEAR" BEHIND CREDIT CURBS

REALTOR SPOKESMAN ALSO BLAMES POLITICS; TELLS LONG ISLAND BROKERS ECONOMY IS BOOMING

(By James L. Holton, real estate editor)

Henry G. Waltemade, Bronx president of the National Association of Real Estate Boards, protests that the administration in tightening up on home mortgage credit this summer was motivated by politics and fear.

Speaking before members of the Long Island Real Estate Board Wednesday night at their dinner in the Stewart Manor Country Club, Mr. Waltemade said the credit restrictions were unnecessary.

"Although our economy is setting new records, and employment is high," he emphasized, "there seemed to be some concern that our mighty production machine might run down and that its present movement had to be checked a bit in order to stretch out housing to keep it at a satisfactory clip in the 1956 election year

"All this overlooks the self-regulating capacity of our stable home market, which makes its own adjustment of supply to demand, and it ignores the excellent debt-retirement record of home buyers," the realtor leader said.

#### DEBT NOT FRIGHTENING

"It seems to me that such conflicting fears sell the future short, and puts on blinders to the present," Mr. Waltemade continued.

Mr. Waltemade said that at least 8 million families now want larger and better homes, and that Government statistics show that buyers occupying FHA- and VA-financed dwellings "have been more than 99 percent successful in meeting their home mortgage obligations."

"Moreover mortgage debt now represents only a little more than half the proportion of national income that it accounted for in 1930," the NAREB head went on.

"The principal issue is not a 25-year amortization period versus 30 years, or a 12 percent or 10 percent downpayment," Mr. Waltemade declared. "Our basic disagreement is with the inadequate estimate of the Nation's economic strength prompting these moves.

"Restricting credit terms on FHA and VA home purchases will undoubtedly make homeownership just difficult enough for many families of low and moderate income to remove them from the market," he asserted.

#### CITIES ATTACK ON SLUMS

"That is what the curbs were aimed at, and it is reason enough for serious objection to the move," Mr. Waltemade said.

"We cannot share these fears," he added. "With employment high, our economy in vigorous growth, population soaring, and a growing desire by the public to have—and pay for—better housing, we need not worry."

With a sustained high level of new housing, Mr. Waltemade concluded, the problem of unfit dwellings and slums will be overcome. "On every hand we see remodeling, rehabilitation, and modernization making tremendous improvements in the existing housing supply," he noted.

Mr. McMURRAY. As mentioned in my statement, the governor in his message to the legislature estimated that close to 1 million housing units are now needed to bring our housing supply up to an adequate standard in this State. In addition to this, there is a net gain of 70,000 new households a year which must be provided for. New York

is not much different than any other State—the only difference is in numbers, not in percentages.

I am, therefore, very concerned about credit restrictions that are aimed directly at reducing the increase in our housing supply. It seems to me that we should direct our economic policy so that we should encourage a greater amount of housing of all kinds by all the devices at our command. There was much criticism on the no downpayment for veterans and the 5-percent downpayment on lower-priced FHA houses.

From my observation throughout New York State, the reduced downpayments, rather than being capitalized into higher prices for housing, have increased the supply and the competition in the field of housing, so that a couple of months ago the home buyer was getting much more value for his money than he was a couple of years ago, in spite of some of the price increases in materials and labor costs.

I think increased production of housing and increased competition can further reduce the price of housing, whereas a limitation on the supply which will result from credit restrictions will increase the cost of housing and the price which the veteran or the prospective homeowner will have to pay.

We must keep our eye on the ball. What does this country need? What does the consumer need? I say to you that more than a lot of other things we are producing, he needs housing. If this is true, then let us gear our economy toward that objective. And I hope that your committee, if it arrives at the same conclusion after its investigation—and I know that the chairman of this committee has already arrived at a similar conclusion in his address before the National Association of Home Builders, in Washington—will keep this in mind when it makes its recommendations to the House of Representatives.

There are several Federal programs that are presently operating which can help us provide a great deal more housing and help us eliminate some of our slum and blighted housing that I would like to make some very brief comments about.

The title I program, urban renewal, has up until recently been somewhat bogged down. The shortage of trained personnel from the regional office of the Urban Renewal Administration to explain the program locally on a continuing basis as well as a shortage of skilled technicians on the local level to assist municipalities—and that is the matter that one of you gentlemen referred to earlier, in the preparation of data, forms, and studies, should the progress of the upstate programs. This situation has been remedied, however, and skillful advice is now forthcoming, and procedures have been simplified.

The basic difficulty with this program, however, is that most cities cannot afford because of their own fiscal difficulties, to provide one-third of the cost that is required under the present Federal law. Those communities that somehow managed to afford to build one project will find it very difficult to finance the second project, or in the case of New York City, more than those that are presently underway.

Other difficulties that should be cleared up are:

1. Delays in processing submissions and resubmissions.
2. Insufficient comprehension on the part of local governments of the fact that deterioration and blight can be stopped only by a full-

scale attack on all the causes of blight; that a comprehensive approach is needed toward the development of the whole community.

3. The continuing lack of adequate local resources to undertake the initial preparatory fact-gathering and application preparation.

I believe the expansion of the program is absolutely essential if we are going to make any inroads on eliminating our slums. Accordingly, may I suggest to your committee that you give very serious consideration to amending the present law, so that the Federal Government will increase its share of the writedown from 66 $\frac{2}{3}$  to 80 percent. If this were done, I believe you would find a great many more cities throughout the Nation taking advantage of the act, and you would also enable some of the larger cities that are already making use of this law, to multiply their efforts. If you recommend this, of course I would hope that you would increase the authorization for loan funds, as well as for grants, and remembering what I said about spending in the neighborhood of one-half to 1 week's cost of World War II, you might well recommend an increase in the authorization of loans by \$1 billion and of grants of \$1 billion.

As Commissioner of Housing for the State of New York, I am coordinating that part of the State program, referred to as offsite clearance, with the Federal program.

Our offsite clearance program is derived from the State public housing program. If a community builds a project on an open land site, we permit to use up to 10 percent of the development cost for offsite clearance of slums or deteriorated dwellings.

I permit and encourage cities to make use of our offsite clearance funds as part of the local contribution toward an urban renewal program. I do not want to permit such funds to be used as a substitute, but rather as a supplement to the local contribution. In this way, for example, by using our offsite funds up to the same amount as the local community's share, a municipality will be able to get a local renewal program twice as large as it would otherwise. A number of communities throughout the State have manifested a keen interest in this program.

I would also like to say that I have had the very finest cooperation from Albert Cole, the Administrator of HHFA, and the Commissioner of the Urban Renewal Division, Jim Follin. They have cooperated 100 percent in this coordination effort. This is only in keeping with my belief that solutions to these difficult problems can only be obtained when all groups, regardless of their politics or their particular vested interests, work together. In going about the State and speaking to the various groups in our cities, I always describe what great opportunities the title I program offers to them, as well as some of the other Federal programs.

As I have facetiously remarked to Jim Follin, I think the Federal Government ought to pay part of my salary, since I do so much selling of its programs on my tours. Actually, I believe that the Division of Housing's responsibility is to promote by every means possible better housing and better neighborhoods, not simply the programs which we operate ourselves. We are interested in more housing by whatever sound means are available.

In order to make up for the lack of adequate local resources to undertake the initial preparatory fact-gathering and application preparation to which I referred earlier, I have instructed my staff to

prepare recommendations for methods of assisting communities in the preparation of initial applications.

The suggestions we have been thinking about include the assigning of technical staff to prepare material explaining the program, having experienced personnel meet with interested local officials, rendering technical assistance, and possibly requesting funds to subsidize the preparation of preliminary studies and surveys.

We are also submitting to the Governor proposed legislation which would provide the communities in New York State an increased opportunity to participate in urban renewal programs. What I have in mind there is recommending an authorization which can be used as assistance to the local community in meeting its share of the costs.

The State division of housing has also taken advantage of section 314 of the Housing Act of 194, which provides for Federal assistance up to two-thirds of the cost of demonstration programs. We have worked out, together with the Federal officials, and are presently preparing an application for assistance on a number of studies which we think will be valuable not only within our own State but to the whole Nation as well. Following is a list of some of the studies that we intend to undertake with this program:

1. A study of existing local codes and regulations affecting housing occupancy standards, leading toward formulation of a State housing code.

2. A demonstration, in a pilot community, of what might be done by using all available urban-renewal tools, involving:

- (a) Selection of a suitable community.

- (b) Survey of community needs, economic base of locality, and degree of public support.

- (c) Standards of sound neighborhood growth and renewal.

- (d) Possibilities of reuse of land for industry.

- (e) Standards for possible rehabilitation of structures.

- (f) Possible effects of complete renewal and housing program on the community.

The FHA program, especially the multifamily rental-type sections, are of extreme importance in providing decent housing in New York City. Sections 220, 213, and 207 must be made to work. The failure of the FHA to get these programs in operation, we all know, is the result of the various investigations made by the administration and the Congress. I believe these investigations should have been made. And some of the wrongdoings that did take place were properly exposed, and should be rooted out of the various programs. There is no question that some of what was discovered was scandalous.

It is my opinion that the FHA could have taken note of the concern of the Congress and the administration with certain practices that were going on and might have revised its regulations to prevent future wrongdoing without going to the extreme of attempting to protect itself from any possible criticism in the future. Our Government does not operate on the basis of having a policeman always looking over our shoulder, nor is it possible administratively to so write regulations that every last possible loophole is plugged up. We have to assume that the other fellow is reasonably honest. We ought to have such controls and penalties that the wrongdoer is found out and punished. I think an administrator, in a way, has to take certain calcu-

lated risks, and if he is honest and intelligent in his administration, he can't go very far wrong.

The FHA is so fearful of being caught doing something that would be later criticized that for all practical purposes it did nothing so far as the multifamily mortgage insurance was concerned. It made the program inflexible and inoperative. It is true that some of what was discovered regarding the 608 program was scandalous, yet the program did produce a lot of fairly decent and much needed housing for many thousands of families in New York City, as well as throughout the country.

I believe it produced a hundred thousand units in that neighborhood in New York City alone. It seems to me that a much greater scandal has been created by the failure of the FHA to produce any rental houses during the past year for our people who are so desperately in need of them. I know a great number of people in the FHA, and so far as I know, they are all honest men and intelligent men, and are as anxious as I am to see the program operating effectively. And I intend no criticism on any of these fine officials personally.

My knowledge about the FHA program is not based on firsthand experience. It comes from information I received from builders and sponsors, and people who are interested in the program.

The basic criticism, to put it bluntly, is that the regional office in New York as presently operated serves no useful purpose at all because it declines to make any decisions or accept the responsibility for any decisions without checking and doublechecking with the home office in Washington.

The smallest detail relating to a proposed project is referred to Washington for an opinion. Under such conditions it is not surprising that so many new housing developments are completely stalled.

In addition, certain unreasonable regulations are still being slavishly applied, which do not seem to make good sense. A good deal of this is the result of Washington's failure to take into account variations in regional requirements for sound construction and management. This is a situation which would justify the return of the power to accept responsibility and to make decisions to the officials of the local offices.

Here are 10 examples of such unreasonable regulations as I am informed they are presently being applied by the New York office of the FHA.

1. If a project includes within its plans the provision of outdoor parking areas as well as garages, no credit is given in the valuation determination for the former.

Mr. McDONOUGH. That is a recommendation of an amendment to the act. In other words, you are proposing that the committee consider that as an amendment to the act?

Mr. McMURRAY. No, sir; that is a matter of regulation.

Mr. McDONOUGH. You mean it is within the administrative power, within the discretion of the Administrator?

Mr. McMURRAY. It is part of the act.

However, if no garages are included, only parking areas, credit is given for them.

2. The regulation as to permissible room sizes, although recently made a little more flexible, is still too rigid for adequate planning in this area.

3. Until recently no credit was given for balconies or for extra bathrooms in larger apartments. This has been relaxed somewhat, but the full value of these is still not recognized in the cost.

4. Despite efforts during the past month or two by the FHA to arrive at a more realistic valuation of the project, related to the actual cost of its construction, it still adheres to unrealistic and unreasonable practices with regard to land values that leave the building sponsor fixed on the horns of a practical dilemma.

Here is the problem: The FHA insists on actual and firm cost figures for the demolition of existing buildings, in the case of title I housing projects, the relocation of site tenants and the relocation of utilities. It insists on being supplied with these firm costs before the sponsor has been able to let his contracts, refusing his best estimates. Builders inform me that such cost figures are impossible to determine exactly before contracts are let and that the FHA should accept estimates and judge their reasonableness on the basis of its experience in these matters.

Mr. McDONOUGH. There could be a wide variation in a thing like that, very wide.

Mr. McMURRAY. But, as a practical matter, it is impossible to make firm and therefore you take the best estimate.

Don't forget this, gentlemen, you passed in the last Congress cost certification which, if it is workable, will catch any mistakes that are made along the road, and I think this is overlooked to a great extent.

5. Conflicts arise between the FHA and the Housing and Home Finance Agency which leave the sponsor high and dry until a decision is reached in Washington.

Commissioner Moses, I think, yesterday in his informal talk with you gentlemen put it very well. The trouble is, I think his words were better than mine, that it is an equal among equals, and you can't have that kind of administration. Hallelujah.

Sometimes this takes months and months. One example related to my office by the builder affected, concerned the question of density and site coverage. The FHA and the HHFA disagreed radically with respect to these matters. The sponsor's project plans were brought to a standstill until an agreement was reached in Washington, and this cost the builder money. Certainly a degree of flexibility should be determined ahead of time and local FHA officials be permitted to exercise their discretion in such matters.

6. FHA allowances for overhead, profit, and architectural fees are inadequate and unrealistic. Until recently the builder was allowed 5 percent for overhead and profit and 2 percent for architectural fees. The builders objected to these percentages as insufficient and unreasonable. Recently the FHA revised its regulations to permit 7 percent to the builders for overhead and profit but reduced the architects' fees to 1½ percent.

The CHAIRMAN. Is that on 220?

Mr. McMURRAY. That is on 220, and I presume it is also on the rest of the titles, but I am not certain of that. On 220 I am certain.

Mr. GAMBLE. Is an architect going to work for 1½ percent?

Mr. McMURRAY. The builders claim that they still have to pay between 2 and 2½ percent for architectural work; thus they have to cut into their overhead and profit allowance and the balance which



remains is still too low to encourage them to build the huge volume of housing still needed.

Don't forget this. We still have to give these fellows incentive. They are not in this business for charity. They are in it for money, and they are entitled to a fair return on their money. That is what Congress intended when it passed these sections.

7. The FHA still gives insufficient consideration to local differences in the determination of costs and of rents. Although New York is a high-cost area, the regulations are too rigid. There has been a recent attempt to take this into consideration but the problem has not been sufficiently relieved.

8. The certificate of incorporation is set up entirely by the FHA without any consideration of the sponsor's individual problems or plans. The certificate of incorporation, I am informed, is written in Washington, forwarded to the New York regional office, and then filed with the secretary of state in Albany. The sponsor has no voice in the terms of the certificate of incorporation. As a result, he does not dare object to certain provisions lest the job be held up indefinitely. The closing of one of the larger title I projects in New York City is now being held up for just such a reason.

Now, again I say, don't forget this is private enterprise and I don't think Congress ever intended the administration to go this far in telling the builders what they had to do.

In addition, the FHA is reported as requiring definite information and details of the corporation before it can be determined. The certificate of incorporation is filed between the time a commitment is given and the closing. The FHA is said to demand information to be included in the certificate of incorporation which cannot be determined until after the closing. This presents an insoluble problem to the builder.

The New York State Division of Housing has some experience in the formulation of such corporations. Our experience with the FHA, in the past, has been very satisfactory in that the certificates of incorporation we have drawn up for limited dividend housing companies receiving FHA insured mortgages have been accepted without question by the FHA. Of course, we give full consideration to the builder's problems as well as to the proper governmental safeguards.

In fact, they are the ones that prepare them in the first case and we merely go over them and work it out in what I would expect would be done in any Federal governmental setup. I believe the FHA should do likewise.

9. The FHA insists that every structure in a project have the same average dwelling unit count. This is too restrictive and places unnecessary obstacles in the path of flexible design and planning.

10. The FHA was severely criticized in the past for allowing land valuations far in excess of actual value, thus permitting unconscionable profiteering in land. Its current reaction to this criticism is to swing to the other extreme; that is, to place land valuations at a figure far below current land values. One is as bad as the other. Moderation, it would seem, would solve this problem and encourage builders to proceed with their jobs.

These are only a few of the many complaints we have heard.

We cannot expect any real progress in home building in New York State until the regional office is given a stature greater than a mere

mail drop. As long as it will make no decisions or accept no responsibility, it can serve no useful purpose. The situation must be remedied forthwith.

And I hope that before your committee leaves this city you will do something about that one problem, and if you do that, I am sure that you will see a lot of nice housing around New York City within the next year.

With respect to subsidized low rent public housing and slum clearance, the State of New York is continuing to contribute its resources in a positive way. Last year, the voters approved an addition of \$200 million in the capital loan fund, making a total of \$935 million available for public housing purposes. This November the voters will be asked to approve a constitutional amendment authorizing an increase in subsidies to service the additions to the loan fund and to help keep the rentals within the means of low-income families.

And, incidentally, this is being supported by both the Republicans and the Democrats, and it was passed in the legislature with completely bipartisan support.

Our experience in this State amply demonstrates that only by joint Federal and State aid can we hope to make real progress in our public-housing and slum-clearance program. In the past the Federal contributions have been almost on a par with those of the State. In recent years, however, there has been an unfortunate trend on the part of the Federal Government to reduce its low rent public-housing program. I believe the program should be expanded to the size provided for in the Housing Act of 1954.

At this time I would simply like to list and refer you to my fuller statement relating to certain innovations being tested in our State public-housing program, which are worthy of consideration for application to the Federal program:

1. Scattered sites.
2. Very small projects with a higher degree of self-maintenance and operations.
3. Apartments for families of large size.
4. Apartments for 1- and 2-person families, and
5. Apartments for the aged.

I have left the problem of providing adequate housing for families of low and moderate means—the forgotten generation—to the last because I want to give it the final emphasis.

I do not have to describe in any detail what the need for housing is for the people in New York City, for example, who can only afford to pay in the neighborhood of \$20 to \$22 per room per month. This includes firemen, policemen, bank clerks, civil-service personnel, and so forth.

Their numbers are many and their need is very great indeed. The housing being provided under FHA sections 213, 220, 207, and by conventional financing are outside of their income level.

As one small means of providing some housing for these groups, we were successful in passing, on a completely bipartisan basis, a program known as the Mitchell-Lama law. This law permits sponsors to borrow on mortgage 90 percent of the capital requirements, at a lower rate of interest and for a longer term than would be available from private source. Such funds under the bill could at present be borrowed from a municipality, or from the State on January 1, 1956,

provided the electorate approves the allocation of \$50 million in the election to be held November 1955 for that purpose.

I might say by way of illustration that take an FHA \$35-per-room-per-month apartment, if we used this law, by giving them 90-percent loans, interest rate at what it cost us, 40-percent tax exemption, we will be able to reduce that \$35 a month to \$22—to \$21.16. But for the record you will want to know the details.

I might say that we have already had 8,000 units indicated that are ready, that already are firmly interested in the program, and we expect that by January of 1956 we will have fifteen to twenty thousand units available.

Depending on the cost of land and the type of construction used, this program, now referred to as the limited profit housing program, should permit a rental of approximately \$20 per room a month exclusive of gas and electricity. Great interest has been shown by numerous sponsoring groups.

In order to achieve this type of rental or cooperatively owned housing, the law provides, in addition to the low rates of interest on mortgage loans, estimated at about 3 percent, an amortization period of 50 years, a reasonable limitation of 5½ to 7½ percent for builder's profit, plus 3¾ percent for overhead and architect's fee, which would still encourage private initiative, eligibility for municipal tax abatement for a limited period up to 40 percent of the cost of the development, and flexible supervision of construction, audits, and operation by myself to insure that the housing developments are in the best interest of the families for whom they are intended as well as to protect the public interest.

To date, sponsors proposing over 8,000 units have discussed making applications for mortgage funds from New York City and several other metropolitan centers in the State, and from New York State itself. The interest shown thus far would indicate that by January 1, 1956, we should have on hand applications for 15,000 to 20,000 units throughout the State.

Various groups have written in and requested information in reference to the program. Available data has been furnished these sponsoring groups with the request that they visit the office of the State division of housing in New York City where the program could be more fully discussed. The \$50 million to be voted on this fall will not begin to meet the demand for this type of housing throughout the State as it would allow for only approximately 4,000 to 5,000 units. But nevertheless it will be a start in the right direction.

This program could be greatly expedited if New York City and other municipalities would proceed under the limited profit housing provisions of the State's public housing law, but to date we have had no indication that any of our cities are taking advantage of this law.

And incidentally, I will be tested myself in November if the people approve of the bill, and I can say as far as the State people are concerned, we are going to go ahead with the bill, and I am going to try to see if as an administrator I can work the will of the legislature. I don't know if I can succeed, but I am going to make a very hard try.

It seems to me that no time is more propitious than now for comparable housing plans to be made on a Federal level to help meet this real and unfulfilled need.

I can give the members a copy of the bill or put it in the record.

The CHAIRMAN. We will put it in the record at the end of your statement.

Mr. McMURRAY. Call it what you will, middle income housing or, as we do in this State, low-rent housing by private enterprise, the important thing is to get such a program started, a good supply of houses built, and families than whom there are no more deserving moved in.

The Federal Government has successfully developed a sound and justifiable public low-rent housing program. It is in the early stages of what appears to be a good urban renewal and redevelopment program. It has shown its capacity to encourage the construction of sale and rental housing for upper middle income groups by the millions. I am confident it can now produce aids for a private low and moderate rental housing program if it will tackle the job fearlessly and with the secure knowledge that the people of the country are looking toward it for help.

In the State of New York, while we do not wait for the Federal Government to act, we nevertheless realize that we cannot do the job adequately alone. We need Federal cooperation and assistance and we need the cooperation of every segment of the home-building industry.

And I am very pleased to say that here in New York it looks to me that we are really about to get it in a big way.

There is no better way of solving our housing problem than to build and build and build again, until there is no more shortage, until there are no more ill housed.

The CHAIRMAN. Mr. Commissioner, we appreciate that statement. We have got to ask you a lot of questions and the time is getting late, and if you will agree, the committee would like for you to step aside, to come back after lunch, and we would like to hear from Mr. Moses now.

Mr. McMURRAY. I would be very delighted.

Mr. WIDNALL. Mr. Chairman, is the part of Mr. McMurray's testimony on page 10 to be excluded or included in the record?

The CHAIRMAN. Included.

Mr. Moses we are sorry to detain you. First of all, we want to thank you for a very delightful occasion at lunch and a very interesting conversation.

Mr. MOSES. We are glad you came.

#### STATEMENT OF ROBERT MOSES, CHAIRMAN, NEW YORK CITY COMMITTEE ON SLUM CLEARANCE

The CHAIRMAN. You can proceed in any manner you desire, Mr. Moses.

Mr. MOSES. I have no printed statement. We have already given you the recent correspondence with Mr. Cole and the Housing and Home Finance Agency, and I presume that will be in the record.

The CHAIRMAN. It has not been offered for the record. I would like the record to include a letter under date of September 7 and supporting date by Mr. Moses.

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., November 19, 1953.

HON. ALBERT M. COLE,  
Administrator, Housing and Home Finance Agency,  
Washington 25, D. C.

DEAR MR. COLE: You will, of course, remember that during your recent inspection and hearing on housing matters in New York City we brought your attention the slow progress of applications pending in the local FHA office for commitments with respect to several of the title I projects underway in the city. Particularly, we discussed the project at Corlears Hook where relocation and demolition had been underway extensively and where the area was ready for construction. You indicated then that you would make the necessary steps to accelerate the processing of the documents through the local FHA office.

We now find ourselves in the position of having not only Corlears Hook, but also the Harlem and West Park title I projects in similar stages of demolition. Construction of the first sections of these developments would now proceed except for the fact that the applications for FHA commitments have not yet been acted upon. Progress on these projects is therefore delayed.

It seems unfortunate that this condition should arise within your Agency. The fact is that all of these projects were approved by the Housing and Home Finance Agency under the title I program of redevelopment. It is an arm of the very same Agency, the FHA, which is now delaying their construction.

I realize you have a backlog of projects to examine. However, may I ask your cooperation again in expediting the applications now pending so that commitments may be issued as soon as possible and work on the approved projects may go forward. I know your interest in expediting and completing the slum-clearance program here and will appreciate your cooperation in this respect.

Very truly yours,

ROBERT MOSES, *Chairman.*

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HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D. C., December 2, 1953.

Mr. ROBERT MOSES,  
*Chairman, City of New York Office of Committee on Slum Clearance,  
New York 35, N. Y.*

DEAR MR. MOSES: Thank you for your letter of November 19 again bringing to my attention the applications pending in the New York FHA office, with respect to title I projects, especially the applications for the Corlears Hook and Harlem and West Park projects.

I have taken this matter up with Commissioner Guy T. O. Hollyday of the FHA in order that the processing of the applications will not be delayed.

Sincerely yours,

ALBERT M. COLE, *Administrator.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., December 31, 1953.

HON. ALBERT M. COLE,  
*Administrator, Housing and Home Finance Agency,  
Washington 25, D. C.*

DEAR MR. COLE: Thank you for your reply of December 22, 1953, and your cooperation in expediting consideration of our title I slum-clearance projects in the local FHA office. We also received the report of the President's Advisory Committee and were much pleased to note your recommendations for special considerations for slum-clearance areas by the FHA.

Attached is a memorandum giving the status of our title I projects in the local FHA office which, on the whole, substantially agrees with your letter.

What appears most necessary now is to establish the policy reflected in recommendation No. 7 on page 119 of your report to the President. There is nothing to prevent the FHA from giving sponsors of title I projects a more liberal interpretation under the present provisions of the law. The local FHA office has shown a tendency at times to penalize builders on slum-clearance sites as to rental and mortgage considerations. It would also help if we could

assure the builders that if they proceed at once as rapidly as possible, they will be permitted to take advantage of any new law enacted subsequent to the beginning of construction.

I hope to see you in Washington shortly at your convenience.

Cordially,

ROBERT MOSES, *Chairman.*

Attachment.

MEMORANDUM ON STATUS OF TITLE I PROJECTS IN LOCAL FHA OFFICE

The answers to the specific issues raised in Mr. Cole's reply of December 22, 1953, to our letter of November 19 requesting expediting of FHA processing of the Corlears Hook, Harlem, and West Park projects are as follows:

*Corlears Hook*

The statement is correct and Mr. Kazan continues daily to expect a so-called preliminary commitment. Actually he has acceded to a great many of their requests and they have made concessions to him. The commitment originally offered by FHA was substantially below what Mr. Kazan required and a compromise is being negotiated.

*Harlem*

The statement is correct except that the figures referred to have been submitted to and discussed with the local FHA office. Mr. George Grace indicates that he anticipates a commitment promptly but has no idea whether it will be acceptable. It is doubtful that actual work can start for 2 or 3 months.

*West Park*

The statements are correct except that they do not give the complete story. Site plans and unit plans have been in FHA since the summer. Up to about the beginning of December this was always sufficient to work out the preliminary requirements, approvals, and details leading to a preliminary commitment. The letter of December 3 referred to states: "Due to a change in regulations we cannot proceed further with our analysis of your project until we have received an application for a statement of eligibility from a sponsoring group accompanied by the required fee of \$150 per \$1,000 of the amount of mortgage involved. This change in procedure has been made mandatory by the Commissioner on all projects that have received site approval." This letter was immediately referred to the sponsoring group by Harry Taylor. The newly required application and fee were filed by the sponsor as rapidly as possible. It is anticipated that as soon as the Corlears Hook and Harlem projects are settled, this project will follow rapidly.

*North Harlem*

This project is close to receiving the necessary statement of eligibility under section 213 and at present seems to be proceeding satisfactorily.

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., August 23, 1954.

Hon. NORMAN P. MASON,

*Commissioner, Federal Housing Administration,  
Washington 25, D. C.*

DEAR MR. MASON: On August 12, 1954, we wrote to you recommending immediate promulgation of regulations covering section 220 of the new housing law, and urging priority in processing applications for mortgage guaranties in title I projects.

We now also urge that you give serious consideration to approval of 50-year maturities for mortgages covering New York City title I projects. We understand that the powers granted to you under section 220 (d) (4) allow you to set such terms for these projects. These are all fireproof, elevator type of apartments and a 50-year term is not only sound but would also permit much lower rentals, which is especially important in slum-clearance areas like Harlem and the lower East Side of Manhattan.

We are advised that under previous procedures with a 30-year mortgage, it would be necessary to set up a level payment debt service for the mortgage (including  $4\frac{1}{4}$  percent interest and  $\frac{1}{2}$  percent FHA premium) of approximately \$0.064 per dollar, or \$640 per year for an apartment unit costing \$10,000.

However, with a 50-year mortgage term on a level payment plan (including also  $4\frac{1}{4}$  percent interest plus  $\frac{1}{2}$  percent FHA insurance premiums), the debt service tables would show a cost of about \$0.053 per dollar, or about \$530 a year for the same apartment at the same interest rates. This would be a saving of \$110 per year per apartment, or about \$9 per month per apartment, or about \$2.25 per month per room.

This will greatly strengthen the aid that FHA can give to slum clearance under title I, particularly in the projects that are generally in low rental areas. There is ample precedent for life expectancies of more than 50 years for fire-proof, multiple dwellings. They easily last that long, and the proof is all about us.

We also are advised that the Federal income-tax officials normally will allow depreciation based on a life expectancy of 50 years on any type of new brick dwelling construction, thereby indicating that this is the minimum life expectancy on construction often far less substantial than prescribed for multiple dwellings under the New York City building code.

The city and State of New York have for some time been issuing 50-year maturity bonds on public housing structures of this type and the Federal Government itself now approves 40-year maturities in federally aided public housing. Your consideration of this matter will be greatly appreciated.

Very truly yours,

ROBERT MOSES, *Chairman.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*New York, N. Y., August 31, 1954.*

HON. NORMAN P. MASON,  
*Commissioner, Federal Housing Administration,*  
*Washington 25, D. C.*

DEAR MR. MASON. We note that FHA administrative rules and regulations governing section 207 of the National Housing Act have limited a mortgagor to \$5 million in outstanding commitments at any time in the same area or locality if he is classified as a private mortgagor. Most of our title I slum-clearance projects come in this category. The sponsors are private investors using private capital to develop projects and the rents do not come under governmental restriction.

If the same restriction were written into the rules and regulations governing section 220, designed to aid slum-clearance projects under title I, it would seriously handicap the progress of large-scale projects which are normally built in sections. Under this rule a sponsor could not process or start a second section until the first one were completely finished, which could mean a delay of many months or a year between sections of the same project. This would prevent speedy completion of title I projects and the purpose of section 220 would be nullified, except in smaller cities with small projects within the \$5 million limit.

We strongly recommend that you do not include this paragraph (f) in the rules and regulations of section 220 or any further limitation than imposed by law.

Very truly yours,

ROBERT MOSES, *Chairman.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*New York, N. Y., October 4, 1954.*

HON. ALBERT M. COLE,  
*Administrator, Housing and Home Finance Agency,*  
*Washington, D. C.*

DEAR MR. COLE: Our meeting in Washington on title I matters in the city was very helpful. I think it cleared the air considerably, and your decision to move ahead with planning funds for continuing the program will enable us to keep the committee going and the program moving.

I am annexing a copy of a memorandum to me from Mr. Lebwohl summarizing the results of the meeting and the conclusions reached.

Cordially,

ROBERT MOSES, *Chairman.*

Attachment.

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York, N. Y., October 19, 1954.

HON. ALBERT M. COLE,  
*Housing and Home Finance Agency Administrator,*  
*Washington, D. C.*

DEAR MR. COLE: You will recall that one of the items agreed upon at our last meeting in Washington was the assignment of FHA processors to stay with the Manhattantown and Harlem projects with a view towards getting a decision as soon as possible on the issuance of FHA commitments under section 220.

It is our understanding that the regulations for section 220 will be issued by Mr. Mason very soon, and we would appreciate knowing whether assignment of processors has been made so that this work can go forward.

Sincerely,

ROBERT MOSES, *Chairman.*

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HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE ADMINISTRATOR,  
*Washington, D. C., November 3, 1954.*

MR. ROBERT MOSES,  
*Chairman, Office of Committee on Slum Clearance,*  
*Randall's Island, New York, N. Y.*

DEAR MR. MOSES. This will acknowledge and thank you for your letter of October 19 with reference to our discussions and agreement on a means for speeding up needed action on applications for insurance commitments under the new section 220 program for New York City redevelopment projects. As you know, FHA has now issued the rules and regulations for section 220. Mr. Fitzpatrick of my staff was in touch with Mr. Leibold of your staff by telephone today with some preliminary suggestions which met with Mr. Leibold's approval. We are now following up on these, and I expect to be in a position to telephone you next week to arrange for a definitive time schedule.

Sincerely yours,

ALBERT M. COLE, *Administrator.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*New York, N. Y., January 18, 1955.*

HON. ALBERT M. COLE,  
*Administrator, Housing and Home Finance Agency,*  
*Washington, D. C.*

DEAR MR. COLE: At the last meeting which you had in Washington on December 14, 1954, attended by Mr. Leibold of this office, we understood that you were making provision for issuance of necessary orders under new section 220 which would enable the local offices to proceed with processing applications of presently operating title I project sponsors in the city for mortgage commitments. Since that time, Mr. Fefferman has been in the city and has talked to Mr. Leibold and others on the staff and has been making some progress, but to date the necessary instructions and rulings from Washington have evidently not been made.

While I understand, of course, that there are problems and difficulties in this matter, the necessity for action as speedily as possible to make proper commitments available prompts me to write you with respect to the urgency of expediting the necessary instructions. We have been sitting by, as you know, with sponsors anxiously awaiting these commitments so that they may begin construction on areas already vacated and demolished. I am sure you realize it is no help either to the program in the city or to the Federal program as a whole to have this condition continue.

I hope that we shall hear from you in the very near future that the necessary arrangements have been made and instructions issued.

Sincerely,

ROBERT MOSES, *Chairman.*



CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York, N. Y., March 22, 1955.

HON NORMAN P. MASON,  
Commissioner, Federal Housing Administration,  
Washington, D. C.

DEAR MR. MASON: This committee has been informed of the agreement reached and the progress made at our meeting in Washington on Thursday. We particularly rely on the agreement to process as quickly as possible the applications of Manhattantown, Harlem, and North Harlem for immediate FHA commitments on these projects.

You will recall that at our meeting in Washington on Thursday you said you would have your office check on the status of applications for FHA commitments filed by New York sponsors in title I projects. We shall appreciate it very much if you will send us this information just as soon as possible for transmission to the mayor and governing body of the city.

Applications have been filed on the following projects:

Project	Location	Sponsor
Manhattantown (West Park)	West 97th to 100th Sts, Central Park west to Amsterdam Ave, Manhattan.	Manhattantown, Inc.
North Harlem.....	West 139th to 142d Sts, 5th Ave. to Lenox Ave, Manhattan.	Harlem Estates, Inc.
Harlem.....	West 132d to 135th Sts, 5th Ave to Lenox Ave, Manhattan	Godfrey Nurse Houses, Inc.
Pratt Institute area.....	Myrtle and Lafayette Aves, Classon Ave to Hall St., Brooklyn	Hall Developers, Inc.

The names of the officers of these sponsor corporations are included in their applications on file with your local offices, together with other information which your Agency has requested.

We are particularly interested in knowing whether the various sponsors are satisfactory to you as credit risks for FHA commitments. You will remember that we agreed on the importance of determining this early in processing. You will also remember that you agreed to give us the status of plan processing in each of these projects, whether plan changes will be proposed by your Agency and, if so, whether such changes have been accepted by Mr. Follin and the title I, Slum Clearance Division, which approved the original plan.

We are anxious also to complete arrangements for early meetings at your office in New York on each of these projects as soon as the above information is available on each project. We plan to consider the Manhattantown project some day next week. You indicated that your office was ready with the necessary information on this project

We wish also to inform you that the following additional title I projects are ready to submit FHA applications:

Project	Location	Sponsor
Fort Greene.....	DeKalb and Myrtle Aves, Fort Greene Park to Flatbush Avenue Extension, Brooklyn	University Towers, Inc.
NYU-Bellevue.....	East 30th and 33d Sts, from 1st to 2d Aves, Manhattan.	University Center, Inc.
Washington Square SE....	West 4th, Mercer and West Houston Sts, and West Broadway, Manhattan.	Washington Square Village Corp.

These projects are under contract with the Housing and Home Finance Agency and have been turned over to the sponsors. It will help expedite processing them if your office will check them with Mr. Follin and determine whether the sponsors, whose names are on file, are acceptable for credit purposes in connection with FHA commitments and whether the unit arrangements in the plans approved by the Housing and Home Finance Agency are satisfactory to you.

Very truly yours,

ROBERT MOSES, Chairman.

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D. C., March 28, 1955.

HON ROBERT MOSES,  
Chairman, Committee on Slum Clearance,  
Randall's Island, New York, N. Y.

DEAR MR. MOSES: I agree with the statement in your letter of March 22, 1955, to me that it is desirable to settle finally the Columbus Circle matter. The proposal to have the Triborough Bridge and Tunnel Authority pay an additional \$200,000 for the project land sold by the city to the authority is acceptable to us, provided, of course, the city submits to us additional information and data upon the basis of which we can make a determination that the Columbus Circle project area was predominantly residential in character when the capital grant contract pertaining to such project was executed by and between the Federal Government and the city. It will also be necessary that the redevelopment plan for the project area be revised to reflect the change in the reuse of the area from the coliseum structure originally contemplated to the combined coliseum and office structure. In addition, the contract between the city and the authority should be amended to cover both the proposed \$200,000 increase in the selling price of the land and the change above mentioned in the coliseum structure.

The revision in the redevelopment plan and the amendment of the Triborough contract must be processed for approval by the Urban Renewal Administration in accordance with the established procedures of the Urban Renewal Administration.

I have read with interest the copy of your letter to Mr. Mason pertaining to the status of FHA applications. I am deeply interested in this matter and shall certainly lend whatever aid and support I can to accomplish the objective.

Sincerely yours,

ALBERT M. COLE, Administrator.

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FEDERAL HOUSING ADMINISTRATION,  
OFFICE OF THE COMMISSIONER,  
Washington 25, D. C., March 29, 1955.

MR. ROBERT MOSES,  
Chairman, Committee on Slum Clearance,  
New York 35, N. Y.

DEAR MR. MOSES: This is in reply to your letter of March 22 requesting a report on the status of FHA processing under section 220 of the housing projects known as Manhattantown, North Harlem, Harlem and Pratt Institute area.

According to the agreement reached during our meeting of Thursday, March 17, Messrs. Frank Meistrell, Alfred Jarchow, and W. Beverley Mason, Jr., of this office, visited the New York City insuring office on Wednesday and Thursday of last week, March 23 and 24. These gentlemen, together with representatives from the Office of the Administrator, the regional office of HHFA and the FHA insuring office met with Messrs. Ferman, Axelrod, Wiles, and Olnick, sponsors of the project in question.

All FHA requirements and policies which were discussed with you during the March 17 meeting were explained in detail to all present. Particular attention was given to FHA requirements in connection with the sponsors' previous participation in section 608 projects. It developed that the required certificates of previous participation had not been completed in every case. Mr. Meistrell clearly set forth the manner in which these certificates must be submitted and it was agreed that the required supplemental information would be forwarded to FHA headquarters without delay.

There was some resistance to our limitation on land values and it was agreed that the matter would be given further consideration upon the sponsors submission of additional data regarding the actual cost of demolition, clearance, and relocation.

Having disposed of the foregoing policy matters the processing of the individual cases was reviewed. It was found that in each instance FHA preliminary estimates of value fell below actual project cost to such an extent that equity requirements would make the projects unfeasible. It was the opinion of our appraisers that this situation could be overcome through changes in design intended to achieve a higher and better use of the land. The chief underwriter of the New York City insuring office recommended changes in apartment design

and architectural design of the buildings including increased land coverage. He pointed out that FHA was not insistent upon such changes but rather was offering them merely as a means to draw value and cost closer together. Mr. Ferman and his architect indicated that they would proceed at once with the preparation of a new design for submission to the insuring office.

It is understood that the proposed increase in land coverage is a matter which must have the approval of your committee as well as approval of the Urban Renewal Administration. It was agreed that the sponsors would make a proposal along these lines to your office and at the same time FHA would present the problem to the Commissioner of the Urban Renewal Administration.

Although there still remain several matters to be resolved, it is our feeling that the sponsors were generally satisfied with the results of the meetings. Mr. Ferman and his architect, Mr. Kessler, in particular indicated their intention to proceed without delay. Our insuring office is prepared to cooperate in every way and whenever problems may arise which they cannot resolve locally technicians from headquarters will be available to provide necessary advice and assistance. You may be sure of our continuing desire to expedite processing of these cases in every way.

Very truly yours,

NORMAN P. MASON, *Commissioner.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*New York 35, N. Y., March 30, 1955.*

HON. HERBERT H. LEHMAN,  
*United States Senate, Washington, D. C.*

DEAR HERBERT: Thank you very much for your letter of March 28 and for the copy of the constructive letter to you from Mr. Mason.

It is beginning to look as if we may really be making progress with the FHA. Meetings are being held in New York City between the FHA and the sponsors of the first project west of Central Park. These meetings supplement our conference in Washington with Mr. Mason and we hope that a prompt decision to issue the FHA commitment will result. This would establish a precedent and a pattern which would enable other housing project sponsors to proceed with financing without further stultifying delays. I hope you will have your assistants keep in touch with the offices of Mr. Cole, Mr. Mason, and Mr. Follin on the prospective as well as present projects. This will be most helpful to us.

Cordially,

ROBERT MOSES, *Chairman.*

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UNITED STATES SENATE,  
*Washington, D. C., March 28, 1955.*

MR. ROBERT MOSES,  
*Chairman, New York City Office of Committee on Slum Clearance,  
New York 35, N. Y.*

DEAR MR. MOSES: I want to acknowledge your letter of March 21, and am pleased to note that your slum clearance projects have apparently finally gotten off the ground and that you anticipate some action from FHA.

I have already advised the FHA of my interest in the New York situation and I want to send you a copy of a letter I have received from Mr. Norman P. Mason. His letter appears to be a little more optimistic than yours and he seems to feel that the major problems have now been resolved. It is my hope that this is true.

Yours very sincerely,

HERBERT H. LEHMAN.

Enclosure.

FEDERAL HOUSING ADMINISTRATION,  
OFFICE OF THE COMMISSIONER,  
*Washington 25, D. C., March 18, 1955.*

HON. HERBERT H. LEHMAN,  
*The United States Senate,  
Washington 25, D. C.*

MY DEAR SENATOR LEHMAN. Thank you for the observations in your letter of March 11, regarding the urban renewal program. I am glad to say we are now in a position to meet with the sponsors of the New York City projects and are making plans to do so next week.

By letter of January 19 the sponsors in question, known as the Redevelopment Builders of New York, opened up consideration of a number of difficult policy determinations. We have been working on these matters together with the Housing and Home Finance Agency, our New York insuring office and the New York City Committee on Slum Clearance. Yesterday we met with Mr. Robert Moses and members of his staff in the office of Administrator Albert Cole and as a result of this meeting I feel certain that the major problems have now been resolved.

It has always been our intention to meet with the Redevelopment Builders at the earliest possible time. By letter of March 3 we reassured them of this fact and reported that progress was being made in the resolution of the problems which had arisen in connection with their projects.

We appreciate the fact that delays caused by the necessity of setting up basic procedures have caused some inconvenience to sponsors as well as the New York City Committee on Slum Clearance, and I am happy to be able to assure you that we are confident of making real progress hereafter.

Sincerely yours,

NORMAN P. MASON, *Commissioner.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., April 4, 1955.

HON. NORMAN P. MASON,  
*Commissioner, Federal Housing Administration,*  
Washington 25, D. C.

DEAR MR. MASON: I have your letter of March 29.

We of course have participated and are keeping in touch with the meetings being held between the FHA representatives and the sponsors with a view toward reaching agreement on project commitments. We are giving a great deal of attention to the two outstanding questions to which you refer and which seem to be the major problems preventing agreement on a commitment.

We have expressed our willingness to permit some additional coverage and some additional density in these projects to help meet FHA requests. Of course, these are redevelopment projects which are part of a city-Federal public slum-clearance and redevelopment program and it would clearly be inconsistent with the best interests of the projects and the program to press this too far. These plans were approved by the HHFA, of which your agency is a constituent unit. However, if all concerned act in good faith I am sure prompt agreement can be reached without unnecessary delay.

As to land values, Mr. Leibold of this office has already recommended to Frank Meistrell that you should consider values based on actual costs to the sponsors of the land, including costs of demolition and tenant relocation. This represents actual costs in making the land available for the project and certainly cannot exceed true value considering the costs absorbed by both the Federal Government and the city in write down.

I hope you will have your representatives stay with this processing until an actual commitment is reached. Please accept my assurances that we shall see to it from this end that no time or effort is lost by the sponsors

Sincerely,

ROBERT MOSES, *Chairman.*

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CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., April 15, 1955.

HON. NORMAN P. MASON,  
*Commissioner, Federal Housing Administration,*  
Washington 25, D. C.

DEAR MR. MASON: You will remember that at our last meeting in Washington we reached agreement on speedy processing of FHA commitment applications on the title I projects in New York. You agreed to begin with Manhattantown, Harlem, and North Harlem, and expedite proceedings there.

There have been, as arranged, several meetings between the sponsors of these projects and your representatives. The indications were that agreements with your agency are in sight after some modifications have been made to meet your requirements. It is, however, disturbing to be told that, even when basic agree-

ments have been reached between sponsors and your office, it will, under your present FHA procedural regulations, take several months—perhaps as many as four—before actual commitments are issued by you. This is certainly adding unnecessary delays and endless new difficulties.

The fact is, as you are also aware, that the necessity for maintaining present slum structures in these areas involves heavier and heavier burdens. In the face of such delays, as tenants are relocated and properties become vacant, disorders, thefts, squatters and even crimes are rampant in partially vacant or vacant structures. Sponsors' incentives to speed up relocation, as well as demolition and clearance, are removed.

This committee is being put in an impossible position as the result of the apparently endless delays in guaranteeing mortgages. Sponsors have been left in the position of attempting to vacate buildings and clear land preparatory to construction in the absence of construction funds. There has been a natural tendency on their part—perhaps exaggerated in some instances—to get what revenue they can out of some of the existing structures to offset the high cost of repairs and services in others. Sponsors have been taken into court. They have been asked to remedy not only dangerous conditions but to make temporary improvements of no permanent value to anyone. It is, of course, senseless to continue spending money on repairs and improvements in buildings which should long since have been torn down. Disreputable and even vicious conditions have resulted in some cases. These have been the cause of complaints on the part of critics who do not know all the circumstances and blame the members of this committee for conditions which really stem directly from Washington. Among these critics I include representatives of your own agency, who on receiving complaints have failed to acknowledge responsibility and have done little so far to meet the basic problem of prompt commitments.

Let me repeat what I said at Washington about scheduling—that we schedule these improvements in good faith and that it has been impossible to adhere to anything like our schedules because of lack of cooperation in Washington. Now, after we are apparently reaching agreements it turns out that it will take months to carry out these agreements. Certainly there is nothing here which requires 4 or 5 months to put the agreement in writing. Let me add that I have had some 30 years of experience in large-scale construction in the course of which I have never heard of anything like the delays in procedure which are present in this instance. I would certainly not tolerate anything like it in an organization for which I have any responsibility.

It is essential for us to know that commitments will issue promptly upon agreement and that we will not be faced with the prospect of suffering these projects to continue in a hazardous, filthy and uncertain state through another period of months.

I realize, of course, that you have certain requirements which must be met, but I must say frankly that I see no reason why, when agreement is reached, these things cannot be taken care of and commitments issued immediately, that is within at most a month, so that construction can begin.

I ask, therefore, that you take the steps necessary to cut through this inexplicable redtape in order to get commitments issued.

Sincerely,

ROBERT MOSES, *Chairman.*

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HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, August 26, 1955.*

HON. ROBERT MOSES,  
*Chairman, Committee on Slum Clearance,  
New York 35, N. Y.*

DEAR MR. MOSES: As your probably know, the Subcommittee on Housing, of which I am chairman, of the House Banking and Currency Committee, is undertaking an intensive study of Government-assisted housing programs.

Clearly one of the most pressing problems in the housing field is that of slum clearance and urban renewal. Your great city, of course, is vitally interested in this subject and has been a leader in the attempts made to combat the problem of slums and blighted areas

Since your wide experience and outstanding competence in this field is well known, our committee would indeed appreciate the opportunity of having the benefit of your views on the slum clearance and urban renewal programs of New York City when we begin committee hearings in your city on Wednesday, October 5, 1955.

We would also be greatly interested in hearing about any problems you may have encountered in dealing with the Federal agencies concerned, particularly the Urban Renewal Administration of the Housing and Home Finance Agency and the local FHA administration of the 220 program. Your assistant, Mr. Lebwold, gave an inkling of some of the trouble spots to Mr. Poston and Mr. McEwan on our subcommittee staff during the recent trip they made to New York City.

Our New York City hearings are scheduled for October 5 and 6 with a field trip around the city tentatively scheduled for October 7. My thought is that you would make an excellent witness during our Wednesday morning hearing, October 5. Because of the large number of witnesses to be heard, we plan to confine each witness' appearance to one-half hour, and to limit opening statements by witnesses to 20 minutes' duration.

I hope very much that your calendar and future plans will enable you to give our committee the benefit of your thinking on October 5, and I would appreciate hearing whether you can accept our invitation. Should you be able to accept, we will of course inform you later of the place where the hearing will be held and the exact time for your appearance.

Also referring to the field trip idea for October 7, our committee would be grateful if you could arrange, perhaps in collaboration with Mr. Joseph McMurray, New York housing commissioner, a tour on that day of New York City housing and urban renewal areas which you feel the committee should see.

With best wishes,

Sincerely yours,

ALBERT RAINS, M. C.

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York 35, N. Y., September 7, 1955.

HON. ALBERT RAINS,

*Chairman, Subcommittee on Housing,*

*Banking and Currency Committee, House of Representatives,*  
*Washington, D. C.*

DEAR MR. RAINS: I have your letter of August 26, 1955.

I shall, of course, be happy to testify at your hearing in New York City on October 5 and shall give the committee every assistance possible in this work.

The plain fact is that, unless section 220 is made to work and the Federal Housing Administration issues commitments for construction money under that section and in accordance with its intent, in the very near future, the title I program will collapse throughout the country. This is not a new thought. I am attaching some of our correspondence over the past year or two indicating how far we have gone in pressing the Federal agencies for action. You may, of course, make any use of this correspondence you wish.

While we were assured time and time again—and are still being assured—that the problem is understood in Washington and that commitments are imminent, none has been issued.

Section 220 is specific and authorizes mortgages of 90 percent of replacement costs for title I projects. Private builders, of course, expect these mortgages if they are to build. Our projects have been operating in some cases for more than 3 years and have large areas on which demolition has been completed and which have been available for construction for more than a year. So far as we can ascertain the only factor which has kept the Federal agencies from acting is fear of criticism and overcaution due apparently to criticism directed at Federal officials as a result of the 608 program.

Certification of costs by the sponsors is one of the requirements of section 220. Such cost certification is a complete protection against windfalls and overpayments. We have made this perfectly clear at meetings in Washington with the Federal people. Some progress in processing commitments has been made, but this does not overcome the fact that no commitments have been issued after years of preparation and promises. Only prompt, strong action will now suffice. The tax money lost to date to both the Federal Government and the cities is already

beyond recovery. In addition, thousands of units of new needed housing have been delayed.

We have repeatedly said that Federal officials engaged in the slum clearance program must have the courage to assume their responsibilities and issue FHA commitments as authorized by law. The purpose of the law is clear. Congress provided it to make the slum clearance programs effective and did not intend administrative officials to frustrate the program by their ineptitude.

Sincerely,

ROBERT MOSES, *Chairman.*

Attachments.

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
New York, N. Y., September 7, 1955.

HON. ALBERT M. COLE,

*Administrator, Housing and Home Finance Agency,  
Washington, D. C.*

DEAR MR. COLE Attached herewith as a reminder are copies of previous correspondence with you and with the Honorable Norman P. Mason, Commissioner of the Federal Housing Administration, reviewing agreements for the processing of applications under section 220 of the Housing Act of 1955, as amended. This correspondence also reflects our understanding that the Federal Housing Administration would issue commitments without further delay.

You will note that on November 19, 1953, we called your attention to the dependency of the title I program upon the early processing of FHA applications and the issuance of mortgage commitments to assure early construction of the improvements contemplated by the redevelopment plans.

In my letter of December 31, 1953, we urged that the FHA liberally interpret the provisions of law and stop penalizing builders on slum clearance sites as to rental and mortgage considerations, and noted your recommendations to the President's Advisory Committee for special considerations for slum-clearance areas by the FHA.

On September 28, 1954, we met with you and your associates and reviewed the title I program in detail, and again the outcome was an apparent agreement both by HHFA and the city that FHA mortgage commitments were necessary to the program and that delay in FHA approval is holding back construction.

You further agreed to take three operating projects, North Harlem, West Park, and Harlem, and assign Washington FHA personnel to work on FHA commitments for these projects to final decision in the immediate future. On January 18, 1955, we again urged that the necessary instructions and rulings from Washington be made for the processing of applications under section 220 of the Housing Act. On March 18, 1955, Commissioner Mason advised Senator Herbert H. Lehman that after a meeting between the representative of the HHFA and this committee, he felt certain that the major problems were resolved and that hereafter real progress would be made in the processing of the applications and the issuance of commitments by the FHA.

On March 22, 1955, we reiterated our understanding that the applications filed by the sponsors of the West Park, Harlem, and North Harlem projects would be processed quickly. I call your particular attention to your reply dated March 28, 1955, with reference to your interest in FHA applications and your offer to lend your active support to reach the agreed objectives.

During FHA processing, changes in plans insisted on by FHA were made. Previous designs and plans were scrapped at considerable expense to the sponsors, and new designs and plans were submitted as requested by FHA. All the preliminary requirements and amendments requested by the Federal Housing Administration and the Urban Renewal Administration have been complied with and your local Federal Housing Administration office is now, if ever, in a position to issue its commitments for the North Harlem and West Park slum clearance projects.

The fact, however, is that no commitment on any title I project has as yet been issued. Now I have been informed that the local FHA office is as yet still awaiting determination by the Washington office to proceed with mortgages of 90 percent of cost as authorized by law. Congress, by the enactment of section 220, made it clear that economic factors normally considered for standard banking loans should not be used as the measuring rod for title I projects. The liberal provisions of section 220 were considered necessary by Congress after full dis-

cession of previous stultifying delays. The provisions under the prior section 220 for consideration of economic value were stricken from the act with this in mind.

I have been asked to testify at the hearing of the Subcommittee on Housing, House Banking and Currency Committee, to be held in New York on October 5, 1955, and must be in a position to state that commitments are being issued on title I projects or that we have been misled and that the Federal program has been frustrated by FHA. It is, therefore, imperative that Commissioner Mason make his determinations now.

Federal officials engaged in the slum-clearance program must have the courage to assume responsibilities and issue commitments as authorized by law. Congress passed section 220 to make the slum-clearance program possible and did not intend administrative officials to frustrate the program. The plain fact is that unless section 220 is made to work and the Federal Housing Administration issues commitments in accordance with the intent of that section, the title I program will collapse throughout the country.

Very truly yours,

ROBERT MOSES, *Chairman.*

Attachments:

cc: Commissioner Norman P. Mason,  
Federal Housing Administration.

Mr. MOSES. We wanted to show you, without getting into characterization or adjectives or anything of that kind, what our practical problems have been, and to some extent, of course, the correspondence is one-sided. It is not self-serving in any way, but, on the other hand, you get the picture from that correspondence. I would like to add to that and to have written in the record and perhaps read, if that is in accordance with your procedure, a letter that just came from Mr. Cole, which will complete that.

The CHAIRMAN. We will be glad for you to read it and then it will be incorporated in the record. Do you want to read it or have one of the clerks to read it?

Mr. McDONOUGH. Is it a letter addressed to you, Mr. Moses?

Mr. MOSES. Yes.

The CHAIRMAN. I will read the letter. It is under date of October 3, 1955, addressed to Mr. Robert Moses, chairman, Committee on Slum Clearance, Randalls Island, New York 35, N. Y.

DEAR MR MOSES: You have requested my estimates of target dates for completion of processing for the redevelopment projects in New York City, involving mortgage insurance under section 220 of the National Housing Act. As you know, FHA has just completed processing and issued insurance commitments covering residential development on three sections of the North Harlem project. In the case of the West Park project, Manhattantown, the application for mortgage insurance has been received and most of the processing has been completed.

The FHA insuring office is now waiting for the names of the individuals who will form the mortgage corporation, the credit information on such individuals, and the sponsor's breakdown of cost of demolition and relocation of tenants, and other costs, attributable to land clearance operations.

After this information is received, it is estimated that this project can be completely processed to commitment within three weeks.

Fort Pratt Institute project, HHFA regional office in New York is awaiting submission by the submitting of the sponsor's plans, together with the city's findings concerning these plans in order to determine their conformity to the approved redevelopment plan for the project. After this submission is received in proper form, I estimate that the regional office can make this determination within 10 days.

It should be possible for FHA to complete processing of the application for mortgage insurance commitment information within 2 to 4 months after the approval of the sponsor's plans by the HHFA regional office, depending on the cooperation of the sponsor's architect and others associated with the sponsor.

If, however, the sponsor's plans are such as to require substantial revision of the development plan, processing by the HHFA regional office would probably



probably require another month, followed by the formal final approval by the city and an additional 3 weeks for processing the final documents to point of final certification to FHA certificate of eligibility for section 220.

We were informed by the city some 3 months ago that the redevelopment plan for the Godfrey Nursing Home in Harlem is to be revised. The sponsor's agreement and redevelopment program will require about 1 month, after which the city will take formal action. The final documents could then be processed within about 3 weeks to the point of certification to FHA certification of project eligibility. After certification, FHA should be able to process the sponsor's applications for insurance in from 2 to 4 months, depending on the cooperation of the sponsor's architects and others associated with them.

Further applications can probably be processed by FHA within the time schedules mentioned above. You realize, of course, that these estimates are approximate and actual processing time may be shorter or longer, depending not only on the cooperation received from the sponsor's architects, but also upon the circumstances peculiar to a particular project. As you know, I have assigned special personnel to expedite processing of New York City projects and you may be sure that I shall continue to give them top priority and to make every effort to reduce processing time to the minimum.

Sincerely yours,

ALBERT M. COLE, *Administrator.*

That may, of course, be included in the record.

(The following letter was submitted to the subcommittee by Hon. Albert M. Cole, Administrator, Housing and Home Finance Agency:)

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE ADMINISTRATOR,  
Washington 25, D. C., October 10, 1955.

Hon. ALBERT RAINS,

*Chairman, Subcommittee on Housing,  
House of Representatives, Washington 25, D. C.*

DEAR CONGRESSMAN RAINS: During his appearance before your subcommittee at the recent hearings in New York City, the Honorable Robert Moses furnished for the record a copy of his letter to me of September 7, 1955, relating to FHA section 220 mortgage insurance. He also furnished a copy of a letter which he received from me, dated October 3, 1955, and indicated that it was in reply to his letter of September 7. This was incorrect, as I have not replied to the September 7 letter. My letter of October 3 was in response to a specific oral request from Mr. Moses for a letter indicating target dates for completing the processing of certain redevelopment projects in New York City. It was in no sense a reply to Mr. Moses' letter of September 7.

As this error by Mr. Moses gives an incorrect impression of the views of our Agency toward his letter of September 7, I feel it is a matter of sufficient importance to bring to the attention of your committee.

Sincerely yours,

ALBERT M. COLE, *Administrator.*

(Additional letters submitted by Mr. Moses appear at p. 254.)

Mr. MOSES. I have only one other contribution to make, if it is a contribution. Then I would be glad to try to answer questions. I wrote out, coming down here in the car—I hope I can read my own handwriting—a summary of major recommendations which I touched on yesterday, and I would like to give them to you briefly now.

The CHAIRMAN. We would be glad to have them.

Mr. MOSES. First, expedite the FHA guaranties of title I projects presently stymied because of FHA inaction. That, of course, is modified to the extent that the assurances in this letter are carried out.

Mr. ASHLEY. I am sorry, Mr. Moses, I didn't hear that.

Mr. MOSES. I say that, of course, is subject to the provisions of that last letter from Mr. Cole. If those assurances are carried out, there will be some expediting of the program.

Mr. McDONOUGH. Let me ask you at this point: How long has this so-called delay that you speak about existed?

Mr. MOSES. About 2½ years.

Mr. McDONOUGH. And during that time how many projects have you had approved by HHFA?

Mr. MOSES. None up to last week.

Now let me make that clear. You are talking about FHA guaranties?

Mr. McDONOUGH. Yes.

Mr. MOSES. There is no guaranty came through until a week ago, 10 days ago. I think that answers your question.

Mr. WIDNALL. This is under section 220?

Mr. MOSES. Yes.

Mr. WIDNALL. How many original project applications were made under that section?

Mr. MOSES. There were applications made, of course.

Mr. ADDONIZIO. How many?

Mr. MOSES. I would say six. There were 4 or 5, some of them originally under the earlier sections, and all of them subsequently under 220.

Mr. McDONOUGH. But some of them made under the previous section 213?

Mr. MOSES. Yes. Now, you have also got to keep in mind that when FHA got around to seriously consider these guaranties, there was a difference of opinion in the two divisions, of the FHA, Mr. Mason's division, and Mr. Folin's division. As a result of that, it has become necessary to make some changes in plans to add to the number of rooms in apartments and the assurances which the FHA wants, something we had never heard about, and which we feel the two division heads should have discussed among themselves previously. That is No. 1.

2. Expedite pending additional title I projects for which advanced studies have been authorized. That, again, is to be read in the light of the last paragraph in the letter of Mr. Cole.

3. Increase future Federal aid of projects for the following groups, two groups, families of low income displaced by title 1, and highway projects. Secondly, families of middle income so displaced and requiring rental at around \$20 a room a month.

4. Build both low-income and title I middle-income projects in Puerto Rico, using concrete prefab wherever possible, with subsidies sufficient to bring rents and sales within the reach of these groups, low and middle income to be measured, of course, by Puerto Rican standards.

5. Fix by law the responsibilities of the HHFA Administrator so that he must become a real responsible department head and not merely a nominal executive over virtually independent divisions.

That is the summary.

The CHAIRMAN. That is a very good summary, Mr. Moses, and that last one you touched on, this committee has wrestled with a great many times.

I would like to ask about this 220. I understand the sponsor of that is a Mr. Axelrod, if I get the name correct. Is it true that the FHA, before they approved even that one, required him; that is, the sponsor, to increase the density and to change the type of rooms, and so forth?

Mr. MOSES. That is right.

The CHAIRMAN. Well, with the change required, will it house as many people as it would originally?

Mr. MOSES. More, that is the object.

The CHAIRMAN. Therefore, it makes the financing even more conservative. Would that be a fair statement?

Mr. MOSES. Yes; that is the purpose.

The CHAIRMAN. Gentlemen, any questions of Mr. Moses?

Mr. ASHLEY. Would you yield at this point, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ASHLEY. Would you say that, in effect, it discriminates against the family unit and increases the hardship of families?

Mr. MOSES. No; I don't think it has that effect at all. Our complaint is not so much that there are more rooms and perhaps a little higher buildings, the floor coverage is the same. Those things all had to be discussed with the city planning commission. We all agreed that they were not unreasonable provisions. Our complaint was that the two divisions hadn't gotten together earlier to discuss this matter. Months and months went by, in the course of which apparently a man in one room didn't talk to the fellow in the next room about it, and they sprang this stuff on us and we had to go back to the very beginning and revise plans.

I want to point out to you here something that I haven't heard very much about in the previous testimony this morning, and that is that in this case you are dealing with other people's money. That is a matter of some consequence.

Mr. ADDONIZIO. Mr. Moses, wouldn't you say, though, that the more density you have, the smaller the apartments and consequently it discriminates against the larger families?

Mr. MOSES. No, I wouldn't concede that these changes that I have heard about so far are bad changes. The standards are still about as high as they are in most of the apartments on Park Avenue. Don't forget that when we build expensive apartments here in this city we cover 65 and 70 and even more percent of the ground, but not with public projects. They run around 20, 18, 20, 22, 24—the standards are much higher.

The buildings have to go up in the air because the ground is so valuable and we have so little land. If, as a result of changes, demand by the FHA, there is any compromise with real standards, we won't approve them.

Mr. ASHLEY. I don't think the query goes to the standards so much as it does to the effect that this has of providing more one-room or room and a half accommodations as against apartments that a family of 4 or 5 or 6 people can move into.

Mr. MOSES. Well, that is arguable. We won't go along with that if we didn't think they were fair provisions. They may come along now with things we wouldn't go along with. We have told them of things that we wouldn't approve.

Mr. McDONOUGH. Such as what?

Mr. MOSES. The number of apartments, small rooms, various other things that involve cubage and square footage. Those are all subjects that have to be discussed.

Mr. McDONOUGH. Now, Mr. Moses, you have been administering public affairs here in New York City and you have a nationwide reputation for getting things done for a number of years.

Mr. MOSES. You will have me blushing for the first time in 30 years.

Mr. McDONOUGH. I will say that to your credit because I think you have done a tremendous job in New York City here over the years, and over those years you have had problems similar to this in many, many projects, highway projects, planning projects, park projects, and so forth.

It appears to me from your criticism of the Federal Housing Administration, that there is a peculiar problem that applies to New York City alone, that doesn't apply to other cities in the United States, as far as urban-redevelopment and public-housing projects are concerned. There are certain specifications here apparently that are required that are not required in other places, that you are dealing with a Federal agency that applies a rule that should be recognized equally across the Nation, and for that reason, Mr. Cole indicated in his letter to you that he is supplying additional personnel to expedite your applications to meet your peculiar problems. I think there is a desire on the part of the Federal Housing Administration to meet your specific problems that are different from any other large city and it is going to take a little more time than the ordinary project.

Mr. MOSES. I don't think they are different in kind. They may be different in scale. I am fairly familiar with some other cities in the country and with a good many suburban communities. I don't think they are so different. I don't know where the great difference is except in scale. I suppose the aggregate of projects that are in some stage of approval of approved planning here in New York is probably as great as those of all of the other projects in the rest of the cities of the country put together.

The scale, of course, is tremendous. You are going into hundreds of millions of dollars, but as to there being different kinds, I don't think so.

Mr. McDONOUGH. Well, as far as scale is concerned, that could run into a lot of money and it is a great responsibility insofar as the Federal Housing Administrator is concerned, if he approves it and it is wrong it could be very serious. In Los Angeles there is an ordinance that requires that you can't build above 150-foot level.

In New York City you can build higher than that. Therefore, public-housing units and urban-development projects have to be limited in size in Los Angeles. That is different from New York City. When you go above a certain level you are going to have a certain difference in cost, and I think you have some old problems here that have to be met, and the Housing Administrator has got to meet them in order to expedite this housing program.

You have indicated that building in Puerto Rico would relieve you; if they had adequate housing down there, if that would keep some of the people in Puerto Rico, rather than to come to New York City. But the question of coming here is not a question of housing, it is a question of wages.

Mr. MOSES. I don't agree with that, but I don't want to argue it.

The CHAIRMAN. Mr. Moses, I understand that the builder is limited to a 7-percent profit in this 220 that was approved the other day. Is my information on that correct?

Mr. MOSES. Seven percent.

The CHAIRMAN. Would that type profit get housing under 220 built?

Mr. McDONOUGH. You mean 7 percent?

The CHAIRMAN. Yes.

Mr. MOSES. You mean is that adequate?

The CHAIRMAN. I mean is it a sufficient inducement for builders to enter the market, that type of profit that has been set?

Mr. MOSES. We have been able to get sponsors with considerable difficulty for all of our projects so far. Of course, the builder is one thing and the fellow who finances it is something else. They may be two very different people. The reservoirs of private capital, meaning the banks, the savings banks, insurance companies, and so forth, have been reluctant to go into this kind of work for many reasons that would take too long to go into.

I think that with a more expeditious and sympathetic FHA process, you might get them into more of this. I am talking about mortgages now, I am not talking about equity.

The CHAIRMAN. I understand.

Mr. MOSES. I don't think anybody is going to get them into any more large equity work here in New York. We have tried our best and we haven't succeeded. But I think that other institutions, institutions other than the Bowery Savings Bank, which has been very progressive about these things, would be more interested in that kind of mortgage business if they knew how long it was going to take and where it was all coming out, but you can't blame anybody for looking at these schedules and finding things half a year, year and a half, up to 2½ years behind.

There is just endless correspondence. Naturally, these fellows in the big fiduciaries, in the big reservoirs of capital, say there are lots of other ways of earning a fair return on their capital besides getting mixed up in this type of thing.

The CHAIRMAN. That leads me to the next question. Don't you think it would be wise to delegate to regional offices and to local authorities—and I am speaking both of the cooperatives, 220's, and public housing, to delegate more authority to the local, and give them authority to act, rather than to require sponsors and people to continue to have to get every single item approved in Washington?

Mr. MOSES. I couldn't agree with you more, but the cautious, the timid, the frightened administrator, the fellow who wants to keep everything under his own hand, doesn't like to delegate. That isn't confined to housing. One of the reasons why over a long period of years we have made so much progress on highway work, where Federal aid was involved, was because of the relationship between the people who had charge of that highway program, beginning with Mr. MacDonald, who was there in 1918 continuously and had everybody's respect, down through the fellows who are there now, irrespective of the political complex of the administration, their willingness to delegate and their ability to work with local people and their assumption of a sort of banker relationship where they see to it that money isn't wasted, that standards are observed, but they don't mess into the details of administration. They leave that to the local fellow.

Mr. McDONOUGH. That is a good analogy. However, it isn't quite a straight line, for the reason that Mr. MacDonald, of the Public Roads Administration, would depend upon the opinion and the judgment of the State engineer on public highway construction. He was not depending upon his Federal agency locally. He was depending on the State engineer's recommendation. Here you have the Housing

Administrator depending upon an appointed authority of his office located in New York who has to make decisions.

Mr. MOSES. I think Mr. MacDonald depended upon both. I dealt with him for 30 years.

Mr. McDONOUGH. But he depended on the State engineer to a large extent.

Mr. MOSES. I don't think that is so. I can show you many cases in this State where the State engineer wasn't involved in municipal projects. The fact is both in housing and highways you have to deal with your local representative, if you are a Federal administrator, and a local administrator, both equally.

Mr. McDONOUGH. If the Housing Administrator can say that the mayor of the city of New York, or the Governor of the State of New York has approved this and will assume some responsibility if there is an error there, I think you would get a lot further and quicker action—or Mr. McMurray, the State housing authority, if he will approve it, then we can move faster.

Mr. MOSES. Mr. McMurray isn't in title I at all. He isn't involved in title I.

Mr. McDONOUGH. Well, he is in some of the other titles.

Mr. MOSES. Well, I know, but we are talking about title I.

Mr. GAMBLE. Mr. Moses, may I ask you a question? On these projects that are tied up for 2½ years, does that tie up the money of the sponsor?

Mr. MOSES. Of course. It ties up what money he has in it, it ties up the land, and his natural inclination is not to take buildings down as long as he can get any rental out of them. There are a lot of people involved, and as I pointed out before, under title I, you are trying to get private capital into this work, it isn't public capital.

Mr. GAMBLE. Then he is just hamstrung. He can't go into any other project in the meantime.

Mr. MOSES. That is right, and in addition to that, the property gets vandalized and the conditions in it are terrible, and the neighbors very justly complain and don't understand what is wrong. We try to explain it. Nobody can understand this sort of situation.

Mr. GAMBLE. Meanwhile, the city is losing money and the Federal Government is losing taxes.

Mr. MOSES. Of course. There are many incidents and all of them unpleasant and unfortunate, which makes it more difficult when you get to the next project. They point to the previous one and say: "Have you ever gone up there and seen what goes on up there?" That isn't encouraging.

The CHAIRMAN. What you are saying, in sum and substance, Mr. Moses, is that the Housing Administrator should be not only in name, but in actuality a man—I am not talking of personalities now—but an official who has the authority to make the decisions. He also ought to have the trained personnel adequately paid to be able to make the decisions and not let a program as vital as 220 wait 2½ years and finally just announce the first one in the entire United States after the passage of the 1954 act.

Mr. MOSES. I agree with that characterization entirely.

Mr. GAMBLE. Could we make a recommendation, Mr. Moses? Why don't you have more signs up on these projects so people will know what they are?

Mr. MOSES. We have put signs up and they get vandalized and torn down. A sign in some sections of New York doesn't last more than 2 weeks.

Mr. GAMBLE. Is that so?

Mr. MOSES. I think the life of a sign on the average isn't more than a month.

Mr. GAMBLE. I was down in Buenos Aires, right after the election of Peron, and everywhere you went you couldn't hardly see the buildings because of the signs.

Mr. MOSES. Well, a sign here is a target.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Mr. Moses, this seems to me a case where timidity, indifference, or procrastination has hamstrung the housing program of the second city in America for two and a half years. I am interested now: Did this come from procrastination, indifference, or did it come from a desire to kill the housing program?

Mr. MOSES. I don't want to get into that. That gets into—

Mr. O'HARA. Well, they tell me that you talk without kid gloves.

Mr. MOSES. I do, and I have given you the record and I have talked without kid gloves, but I am not going into people's motives, and besides, I am restricted from the use of four-letter words.

Mr. ASHLEY. Mr. Chairman.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. Perhaps you would be in a position to comment on the sequence which your record has developed. These special personnel, when were they assigned by Mr. Cole?

Mr. McDONOUGH. It was a previous administration, Mr. Ashley.

Mr. ASHLEY. Well, I am trying to bring this out.

Mr. McDONOUGH. So am I.

Mr. MOSES. Somewhere between 6 and 8 months.

Mr. ASHLEY. The 220 project was approved how long ago, sir?

Mr. MOSES. This project, the first one?

Mr. ASHLEY. Yes.

Mr. MOSES. Ten days ago, I think. Let me add this by way of explanation. You undoubtedly saw two projects that are ahead of all of the others that are actually in construction. One is about to open. That is the Corlears Hook, two unions.

The CHAIRMAN. We saw that.

Mr. MOSES. Why? Because they finally used their own money in getting a conventional loan from the Bowery Savings after they gave up attempting to get anything from the FHA. The other one which has just gotten underway, and we had the certificate money there 2 weeks ago, Morningside Manhattan Building—

The CHAIRMAN. We saw that.

Mr. MOSES. And even with all of the pressure brought to bear by the heads of those big institutions up there, I want to point out that General Eisenhower was a member of that committee when he was president of Columbia, they gave up finally and worked out another method of loan and avoided the FHA, and in that way got going. Those are the only two that are moving.

Mr. ASHLEY. I am just wondering, Mr. Moses, if there is any connection between the approval of this 220 project and your letter to

Mr. Cole of September 20, and particularly the last paragraph thereof, which reads:

I have been asked to testify before the Subcommittee on Housing, Banking and Currency Committee, to be held in New York on October 5, 1955, and must be in a position to state that commitments are being issued on title I projects or that we have been misled, and that the Federal program has been frustrated by FHA.

It is therefore imperative that Commissioner Mason make his determination now.

I wonder if you would care to comment on that.

Mr. MOSES. You are in as good a position as I am to figure out cause and effect.

Mr. O'HARA. Mr. Moses, may I ask you one more question? If a young man asked a young woman to marry him and she took 2½ years to make up her mind, would she presume that she really loved him?

Mr. MOSES. Well, the Bible has reference to even longer periods.

The CHAIRMAN. Mr. Moses, I have one other question I want to point up and then we don't want to keep you too long. We are all getting hungry, I know. We saw this project you mentioned that is sponsored by the two unions, and we were quite impressed by it, and the general manager, or builder, Mr. Kazan, told me a very interesting thing. At the same time we all recognize, as I am sure you do, that certain things that have happened in the Housing Administration have caused extraordinary carefulness and yet he told us that one of the reasons that he wouldn't take FHA was because they wanted to give him \$4 million more money than he wanted to saddle off on his tenants.

Mr. McDONOUGH. To require additional construction?

The CHAIRMAN. Yes; but the point I make, as I got it, to require elevators to stop at certain floors, and so on. Now the question is: Are the regulations which have been maintained so rigidly by FHA that instances of that type occur?

Mr. MOSES. Yes. They certainly did in that case. We looked into that very carefully, sir, and concluded that the requirements that were attempted to be imposed upon the unit were arbitrary, unnecessary, not in accordance with the New York Building Code, and wouldn't be applied on Park Avenue or Fifth Avenue.

The CHAIRMAN. Any other questions or statement, gentlemen?

Mr. WIDNALL. Mr. Moses, do we have anywhere in the record the actual application dates on all six of these projects that you have spoken about?

Mr. MOSES. Yes; we could give you that.

Mr. WIDNALL. Could we have that?

Mr. MOSES. Yes.

Mr. WIDNALL. Could we have the section under which they originally applied?

Mr. MOSES. Yes.

Mr. WIDNALL. When the change was made.

Mr. MOSES. Yes.

Mr. WIDNALL. And as a result of what specific action by the Administration.

Mr. MOSES. Yes. I want to point out to you that this committee, the slum clearance committee, which is not a statutory body, it is a committee composed of ex officio officials who would have to be consulted anyway, and we felt that—O'Dwyer was mayor at the time, and talked to me about it. I said: "Don't create a new commission with a



whole lot of unnecessary personnel. Just take the people who have to be consulted anyway, like the chairman of the city planning commission, chief engineer, and so on, and put them on the committee, and with very few employees, employing outside experts and consultants, we can do this work."

That committee at all its meetings has a schedule just as we have on highway work, on all public works that shows the dates on which certain things are supposed to happen, and then with a blank line underneath the actual progress so that you can measure what should have happened against what did happen, and we will give you that latest schedule, which I think will also help you to see what is going on.

Mr. WIDNALL. It was my understanding that the Axelrod application under section 220 went in around November 1954; is that correct?

Mr. LEBWOHL. It went in after the enabling legislation for 220 was enacted. Prior to that he did have one or more applications in under prior sections of the law, 213 and 207.

Mr. WIDNALL. Well, we would be pleased to have that documentation.

Mr. MOSES. There is one other thing I would like to mention to you, Mr. Chairman. I don't say this is a typical characterization, but it happens often in a city like New York. In the new Lincoln Square project, one of the main features is Fordham University. It would take all of their scattered branches outside of the main university at Fordham and put them together. That new college, or whatever you want to call it, branch of the university, faces north above 62d Street. Then there is a park, and facing south toward Fordham will be the new Metropolitan Opera House and probably the Philharmonic. The Metropolitan has an opera house and they have to keep opera going and they have to sell the opera house subject to the purchaser not getting control until a certain time when the new opera house is finished. That is typical of what we run into. We have to give these people some assurance when that is going to happen. Under past conditions up to now, we haven't been able to give them any assurance. We couldn't honestly say whether it would be a year, 2 years, 3 years, 4 years. It could be any length of time. That is one of the great difficulties we have had, not being able to speak with assurance and confidence honestly about what was going to happen.

I can tell you what is going to happen on almost any other kind of public works project, city or State, that I have anything to do with. I am going to make allowances for delays, and that kind of thing, but I will give you an honest figure, and it will be pretty close to being right, but I can't in this field. I haven't any idea.

Mr. WIDNALL. Mr. Moses, what was the past history on public housing when that started? How long did it take to get a program going from the date of application until final approval? I think it would be interesting to have a comparison.

Mr. MOSES. Well, I would rather have you get that from Mr. Cruise and get the State figures from Joe McMurray. They can give them to you. I know about what they were. It is only to say in those cases there have been a great many delays locally, a great many arguments about where these people are going to go.

The CHAIRMAN. Any other statement, Mr. Moses?

Mr. MOSES. No, sir.

(The following data was submitted to the subcommittee:)

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
RANDALL'S ISLAND,  
New York, N. Y., October 6, 1955.

HON ALBERT RAINS,  
Chairman, Subcommittee on Housing,  
Banking and Currency Committee,  
House of Representatives, Washington, D. C.

DEAR MR. RAINS: In accordance with our conversation, I am delivering for Mr. Moses a list of the dates on which application was first made for FHA mortgages under the prior law in connection with title I projects and the dates of change to section 220.

Very truly yours,

W. S. LEBWOHL, Director.

Project	Date application filed for FHA mortgage under old law	Date application filed under sec. 220 of new law
North Harlem.....	Nov. 13, 1950	Nov. 9, 1954
Manhattantown.....	Dec 18, 1953	Nov. 12, 1954
Harlem.....	May 19, 1953	Nov. 8, 1954
Pratt.....		Nov. 12, 1954

**Corlears Hook:**

First discussion, April 27, 1950.  
First application, December 19, 1952.  
Approved by Commissioner of FHA on January 20, 1954.  
Withdrew on February 5, 1954.  
Paid fee of \$43,273.80 to FHA, not returned to them.

**Morningside-Manhattanville:**

Discussions in 1951 with FHA regarding amendments.  
Dropped FHA in September 1954, when New York Life agreement expired and went into other financing.

The CHAIRMAN. Thank you very much for appearing. We want to express our appreciation for your help.

The committee is adjourned until 2 o'clock. At that time we will question Joe McMurray and hear Mr. Axelrod and the other witnesses.  
(Whereupon, at 12:40 p. m., a recess was taken to 2 p. m.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order and we will hear from Mr. Axelrod at this time.

We are going to cross-examine Mr. Joe McMurray, but he doesn't happen to be here. In the interest of conserving time, we will move on to Mr. Axelrod. By the time we finish with Mr. Axelrod, Mr. McMurray will be here.

Come around, Mr. Axelrod.

Mr. AXELROD. Thank you.

The CHAIRMAN. Do you have a prepared statement?

Mr. CHARLES AXELROD. Yes; not too long.

The CHAIRMAN. You can proceed any way you desire. Do you want to read your statement?

Mr. CHARLES AXELROD. Yes, please.

The CHAIRMAN. You are Mr. Charles Axelrod, and as we understand it, you are the builder who received this section 220 commitment that we have heard something about this morning; is that correct?

Mr. CHARLES AXELROD. That is right.

The CHAIRMAN. The committee will be glad to hear from you, Mr. Axelrod.

Mr. CHARLES AXELROD. I want to thank you gentlemen first for the courtesy of asking me to come here. I hope that what I am going to say is going to be of some benefit.

The CHAIRMAN. We appreciate your coming.

Mr. McDONOUGH. Mr. Chairman, just for my information—

Mr. Axelrod, I understand you are the party to whom the commitments are made for the slum-clearance project that the mayor referred to this morning?

Mr. CHARLES AXELROD. That is right.

Mr. McDONOUGH. I see.

### STATEMENT OF CHARLES AXELROD, NEW YORK CITY BUILDER

Mr. CHARLES AXELROD. There is no greater problem in New York City than that of housing for the white-collar group. Slum clearance and construction for minority groups is a part of this picture.

In New York City some slum clearance has been accomplished through (1) city housing authority work, and (2) through limited dividend funds of trade unions, insurance companies, and others. In addition, other city agencies have become involved in some slum-clearance work for the construction of new schools, parks, and playgrounds and other public improvements.

In some instances these slum-clearance programs have completely removed the land and improvements from the city tax rolls. In some cases the land has remained on the city tax rolls, but in very few instances has any portion of the new improvements been added to the city tax rolls.

Obviously this can only go to a limited extent. At this time it is unnecessary to go into details with respect to this situation; but as a taxpayer I was greatly concerned with the implications of this situation.

Despite the fact that the New York City Housing Authority will have 120,796 units under its jurisdiction when their pending construction program is completed and that there are now in these various redevelopment and limited dividends corporations 22,669 units completed and 3,290 units under construction, we still have in New York City 414,546 apartments that are more than 50 years old.

The 120,796 units operated by the city housing authority, and the 25,959 units owned and operated by various redevelopment or limited dividend corporations, make a total of 146,755 units or apartments that do not pay taxes to the city of New York on their improvements. Obviously this process cannot continue indefinitely.

These 46,755 families receive the same services from the city, such as schools, police protection, fire protection, sanitation, public health, and all other services that the city supplies without paying their share for such services. Multiply these 146,755 units by 4, which is the average family unit, and you have 582,020 people who are not paying their share of the load.

When Congress passed this urban-renewal law in 1949, it provided an opportunity for every city and hamlet in the country to change this trend from this unhealthy subsidized trend to a manner of producing housing for our people that should be based on the principles of private enterprise which is followed by the entire economy of the United States and has brought such tremendous gains to every citizen of our land. It is singular that a far-reaching law of this character that has such a tremendous potential has been on the books since 1949 and very little has been accomplished under it so far.

Early in 1950, I requested the opportunity of doing a slum-clearance job by writing to the slum clearance committee. Sketches and layouts had to be submitted to the slum clearance committee and to the City Planning Commission of the City of New York. Favorable action had to be obtained from these two bodies, in the first place, and later on it had to go before the Board of Estimate of the City of New York.

This involved many months of negotiations and consultations, and procedures and plans had to be set up. Public hearings were necessary, both before the city planning commission and board of estimate. Finally the board of estimate approved my proposal along with several other projects, and authorized condemnation proceedings. A public auction was held, at which I was the high bidder for the north Harlem area.

A contract was entered into and title was finally conveyed to me on July 15, 1952.

Our contract with the city provided, first, that we pay the city of New York \$1,113,600 for the land; second, that we relocate all the residential tenants in the area, and there were more than 1,200; third, that we demolish all the existing structures on the site; and fourth, that we build thereon eight 12-story buildings, to house a total of 1,296 families. This was all predicated upon plans approved by each of these bodies.

The redevelopment plan provided for the coverage of approximately 20 percent of the land area, the rest being used for walks, parking areas, playgrounds, etc.

Because we were the first private group to enter these negotiations with the city, we were given a map of the city showing the areas declared slums by the slum clearance committee and city planning commission. We could have selected any slum area in the city, but we purposely selected an area in north Harlem which probably was the worst looking slum that I could conceive of. It was my thought that if it could be demonstrated that private enterprise could take an area that was so run down and decrepit looking, such as north Harlem was, and still is, and convert it into a beautiful residential parklike area, it would help induce others to enter the slum-clearance program.

I also felt that minority housing was a good business venture because there had been practically no new building for the Harlem residents in the last 20 years. The area was extremely crowded and our investigation indicated that there were many thousands of residents in the area that could and would pay a reasonable price for decent housing if it was built for them. Although 5 years have passed since the initiating of this enterprise, nothing has happened to cause me to change my opinion; namely, the building for the minority group in the city of New York, can and will be a successful business enterprise.

In fact, subsequent developments have confirmed the soundness of this view.

My troubles began when I attempted to get financing for this project. In the latter part of 1950 I filed an application with the FHA under section 207 of the Housing Act. At that time I did not believe that the delay would be as great as later developed. Plans and an outline of specifications were submitted and FHA advised me some time in the spring of 1951 that to build under section 207 would require close to \$3 million front money.

This requirement made the 207 plan unfeasible.

The CHAIRMAN. I don't want to interrupt, but let me ask: What do you mean by front money?

Mr. CHARLES AXELROD. That is the money that has to be deposited with the mortgagee as a guaranty.

Mr. McDONOUGH. It was good faith money.

Mr. CHARLES AXELROD. Well, it was supposed to be the difference between the amount of the mortgage and the cost of the project.

Mr. McDONOUGH. You got a credit for it, though, you didn't lose the money.

Mr. CHARLES AXELROD. I didn't put it up. That was the stumbling block.

Subsequently we amended our application to come under section 213 in the belief that a cooperative housing project would be just as acceptable to the residents in the area as a rental job. All our preliminary surveys were entirely favorable, but financing under this section was unobtainable, particularly in 1952 and 1953. If you will recall that was the era of the hard-money policy, and mortgage money dried up all over the country; 213's were not looked upon with too much favor by the banking fraternity anyway, even under the most favorable circumstances. Late in 1953 the difficulties that builders encountered in attempts to final out in these 213 projects convinced me that a cooperative was impracticable.

The FHA was ready and willing to give us a certificate of eligibility to proceed to see if we could sell these apartments, but before it could become operative, a takeout mortgage was necessary. This was unobtainable at that time. In 1954 we amended our application to come in under section 220 of the 1954 Housing Law, as amended. We did not change our floor plan or our plot plan, believing that if this project was acceptable to FHA under section 213 it should be acceptable to them for a rental job.

But in February 1955, we were told by the chief underwriter that the plan that we submitted was not economically sound for a rental job. If it was our desire to proceed with FHA insured financing we would have to revise our plans with the objectives of putting more living space under one roof and of cutting down the average size of the apartments from a 4.5 average to a 3.3 average. Although I was keenly disappointed at this turn of events, I immediately instructed my architects to revise the floor plans to conform with all the FHA requirements.

This was accomplished by increasing the number of families in each building to 254, with a 3.3-room average per apartment, but we cut down to 7 buildings instead of 8 buildings, so as not to increase the density originally provided in the redevelopment scheme.

Although it meant the scrapping of thousands of dollars worth of plans, we were ready with our new plans in 6 weeks. Preliminary approval was obtained from the FHA and I am glad to say that a commitment for the first three buildings has been issued to me only the other day, and we are expecting to commence construction in a matter of weeks, or just as soon as filing and approvals are obtained in the New York City Building Department.

In the meantime, the Bowery Savings Bank was induced to finance this project and have issued to me an actual commitment for the first 3 buildings with a request from them for the first refusal on the balance of the 4 buildings planned under the redevelopment program.

At this time I would like to digress for a moment to express my appreciation to the Bowery Savings Bank for their statesmanship and good judgment in coming into this area to finance this project.

The operation and management of the structures on the site that we took title to in 1952 was conducted by my management division. This was quite a task. People that are being asked to give up their homes for a project of this kind are entitled to every consideration. There is a justified feeling of hostility and fear that has to be met. The usual landlord-tenant relationship is not enough. My instructions to my staff were, right from the start, to be as gracious and accommodating as possible to every resident in the section; to be prompt in making repairs that are required, and to be as considerate of the residents' comfort and happiness as possible.

To accomplish this, a maintenance staff was engaged; a team of men to do nothing but install glass in broken windows; a team of men to do nothing but carpentry work required; a team of men to handle any plumbing repairs, and believe me, there were many of them; a team of men to do such painting and plastering as was necessary, and this crew was kept busy 8 hours a day, every day in the week, and mind you, all this is happening to buildings that are to be demolished.

The odd thing about it is that although we have relocated 600 families out of the 1,200 originally on the site, we have the same crew of men to handle the repairs for the 600 remaining families as we originally started with. It appears that the buildings are deteriorating at a greater rate of speed than we can maintain the repairs. These tenements are from 50 to 60 years old. Many of them had been neglected for years, and the condition of these buildings was appalling. We nevertheless pitched in and endeavored to make the residents in the area as comfortable as possible. We recognized that human beings were living in these apartments; that children were being brought up in them, and we wanted to provide them the best possible service that circumstances would permit.

The New York State rent laws, unless reasonably and properly administered, can be a substantial bottleneck in slum clearance projects.

We relocated 600 families out of the 1,200 residing therein; demolished and cleared approximately 40 percent of the area. This was accomplished about a year and a half ago. We could have commenced construction then if the financing and other arrangements had been available.

I call your attention to the fact that this area was carried at a substantial loss because not only did we deprive ourselves of the income of the demolished area, but we had to pay our taxes, insurance,

and other items of expense on the vacant land, as well as that which was occupied.

Mr. McDONOUGH. What insurance would you have to pay on vacant land?

Mr. CHARLES AXELROD. You have to insure the city with liability and—

Mr. McDONOUGH. On clear land.

Mr. CHARLES AXELROD. The sidewalks surrounding the area have to be covered with liability insurance.

In addition, practically all of the remaining undemolished buildings have a large vacancy ratio which also contributed to this large loss. During the 5-year period while all this was going on, I committed a substantial amount of cash for this project. I could have built 2 or 3 conventional jobs during that period, operated them or sold them at a profit, and proceeded with the next operation, but that would be doing something of a stereotyped nature and I was desirous of making a slight contribution to the community through this slum-clearance effort, as well as making a profit out of this operation.

In New York City we still have 414,546 apartments that are more than 50 years old. Some of them are without sanitary conditions of any kind. Most of them are railroad flats, with windowless rooms. The hazards and dangers and social effects that housing of this sort does to the one who is compelled to live under these conditions are generally understood and appreciated and need no further elucidation from me, nor am I qualified to speak on the implications of living under these conditions. But it is a tremendous problem in New York and every device and inducement is needed to alleviate this condition.

An effective slum-clearance program in New York City must envision the support of the most competent and experienced builders and here I have to touch on a phase of construction history on which there has been much publicity, but which has painted the wrong picture, as far as I can see. We heard a great deal about profits to builders during the 608 program. What happened in that program was that every builder was given approximately \$8,100 in mortgage money per unit to build with and a set of plans and specifications that had to be followed under the continuous supervision of an FHA inspector. The builder that made a profit on such an operation was a man that had the know-how and the efficiency to produce the housing within this mortgage limitation.

That is the fellow that is now practically out of business. The inefficient builder who did not know how to conduct his operation on a profitable basis and spent all the mortgage money that he had available is the one that is in the good graces of the FHA. The other fellow is *persona non grata*.

No matter how this is analyzed, in New York City it still created a total of 93,867 apartments, which rented at about \$25 a room. That includes some 207's and 213's, at a cost not exceeding \$8,100 per unit. Contrast this with the fact that public housing costs \$12,000 per unit, and does not pay any taxes to the city on these improvements, whereas these 93,867 apartments contribute close to \$40 million per year in taxes to the city of New York alone.

Now the FHA had to take back only three projects, amounting to 579 units. Two of these have already been sold, I understand, without a loss. The third one I am confident will also not prove to be a

loss to the Government by virtue of this mortgage insurance. I call your attention to the fact that most of this housing has now been up and operating for an average of 5 years. The principal of these mortgages has been reduced by amortization payments. Mortgage insurance on the outstanding mortgage amount is constantly being paid at a rate of one-half of 1 percent per year. In this area it amounts to approximately \$45 million per year.

Furthermore, a cash reserve is being built up by virtue of the replacement reserve required under FHA regulations, in which the owner is required to deposit a certain amount of cash every month with the mortgagee to take care of items that ultimately will have to be replaced. It provides a cash cushion that by this time should amount to approximately 3 percent of the original principal amount of the mortgage.

In another year or two because of this reserve, plus the continued reduction of the mortgage through the amortization scheme, and because of the mortgage-insurance reserves, the Government will be entirely out of danger so far as incurring a loss on any of these projects is concerned. Some of the men that created this housing happened to make a profit by virtue of their efficiency and now are being persecuted and hounded and made the subject of a lot of unfavorable publicity.

It is odd that a builder's profit inasmuch as rental housing builder is concerned is a dirty word. Look at the reports of all the corporations, large and small, and they are making fabulous profits and people seem to exalt and be happy over it, not realizing that much of this swollen profit may be caused by an overpricing of the products which they bought. Profit to a builder seems to carry with it an onus; something that is undesirable; something that is procured through illegitimate means and is tainted; whereas profits in any other enterprise are looked upon with favor.

The other day the oil companies have reported this year the greatest profits in the history of their existence and that very day I received a notice that they are going to raise the price of oil 1 cent a gallon, which is 16 cents. Nobody paid any attention to that. There was not even any mention of it in the papers as far as I can recall. The real estate man has to absorb that out of his profits. There are things that do not seem to bother anybody because the owner of real estate has to take care of that. What has been the effect of all this propaganda and falseness? Your rental housing construction in New York has practically dried up, with the exception of a few luxury apartments. It will not be long before you gentlemen and other bodies of legislation will be looking for ways and means to induce these very builders to come back into the market and do the job that they are capable of doing. How long can the city of New York, growing by leaps and bounds, afford to do without construction of rental housing, particularly when it has not yet met the shortage of World War II?

My opinion is that if rental housing is to be built, whether it be slum clearance or other type of rental housing, the efficient fellows that did the job before will have to be called back into the picture one way or the other.

That is my statement, gentlemen.

The CHAIRMAN. Mr. Axelrod, thank you for coming.



I would like to ask you a question or two. This project that we have read about in the paper, and we looked over that site yesterday, is the project under what we in the business know as 220?

Mr. CHARLES AXELROD. That is right.

The CHAIRMAN. Now the law in this past session of Congress was changed to replacement cost, instead of appraised value, and the first question I want to ask you is how is replacement cost going to work?

Mr. CHARLES AXELROD. Well, that eliminates a great bottleneck, sir, because one of the things that caused delays in getting these commitments was the unwillingness, or I don't know, whatever you would want to call it, of anybody in FHA declaring these projects to be economically sound.

The CHAIRMAN. All right. Now, I understand that the FHA, by regulation, I assume, limited the profits, the builders' profits, on this project that you get to 7 percent?

Mr. CHARLES AXELROD. That is right.

The CHAIRMAN. Now, that is 7 percent on what?

Mr. CHARLES AXELROD. Seven percent above the cost, that is on the cost. You add seven percent onto the cost of the project. That is the builder's profit, but includes overhead, I understand.

The CHAIRMAN. Do you believe that 7 percent—I am speaking of 220's in situations such as yours throughout New York—will induce people to come in and do the job? Is it low?

Mr. CHARLES AXELROD. That is low, sir, considering the fact that he has to absorb his overhead on that. On any public housing job done by a public contractor, there is a 10 percent builder's profit given and a certain amount of overhead.

The CHAIRMAN. Isn't the figure of 10 percent the one usually used for builders' profits in military housing of various types?

Mr. CHARLES AXELROD. I wouldn't know that. I couldn't tell you.

The CHAIRMAN. Now, from other witnesses this morning, we have heard about delays in the approval of this slum-clearance project you are about to start, and I would like to ask you about it, as the man in the middle, until it was approved the other day, if it is your honest opinion that the delay was occasioned by timidity, indecision, or actually by the inability of those in the FHA to make up their minds as to whether they wanted to go ahead with the program. How did it impress you?

Mr. CHARLES AXELROD. I got the impression that they wanted the program very much, but in the light of all of the unfavorable publicity that FHA had during these years, I presumed that they were reluctant to go out on the limb and declare the project to be of sound value, and that was eliminated when the last amendment was passed in 1955.

Of course, if there were anybody in FHA that would have had the courage to say this thing is all right, let's go ahead with it, it could have happened much sooner.

The CHAIRMAN. I don't want to get into 608's with you, because that has already been handled by another committee of the Congress of the United States, but I would like to make one suggestion as I listen to your testimony about it, and I happen to be one that recognizes that a lot of the things that you said are absolutely accurate and true, but from the standpoint of a Member of Congress, whose duty it is to see that everybody affected gets fair treatment, including the taxpayers, don't you believe that it was necessary to look in and to put

checks of some type on FHA if they were making the mistakes that allowed the profits that some people made?

Mr. CHARLES AXELROD. Oh, sure; it is the province of Congress to be careful and not spend more taxpayers' money than is necessary.

The CHAIRMAN. I think that without getting into the details or the hassel over the 608's, that we have all heard, I think that it could be said that it is not the fault of the builder, but was the fault of the inspectors in FHA, the extreme profits; what do you think?

Mr. CHARLES AXELROD. I don't think the inspector. He had a certain set of specifications.

The CHAIRMAN. I mean the appraiser, not the inspector.

Mr. CHARLES AXELROD. Well, I don't think it was anybody's fault.

The CHAIRMAN. It is a difficult thing for the Government to insure a mortgage, and then for the builder to take vast profits out of the mortgage money. Somebody ought to hold it down. The Army does it with a bid.

Mr. CHARLES AXELROD. I agree with you. But if a man has the efficiency and the know-how to produce this housing within a mortgage limitation of \$8,100, which is two-thirds of what your public housing costs—

The CHAIRMAN. Well, the limitation was too high.

Mr. CHARLES AXELROD. Well, maybe it was too high, but there was a limitation.

The CHAIRMAN. You and I agree on one angle of it. I see no reason to penalize a good builder.

Mr. CHARLES AXELROD. That is what is happening.

Mr. McDONOUGH. That doesn't apply completely and generally to all cases, does it, Mr. Axelrod? You said that all good builders were being penalized and all of the inefficient ones were not.

Mr. CHARLES AXELROD. Well, I am proceeding on the assumption that—

The CHAIRMAN. You haven't been penalized?

Mr. CHARLES AXELROD. No, I wasn't penalized, and I built 608's. But I wouldn't say I was inefficient. In Riverside, at that time, the amount of construction was \$1,800 a room. I put my land in. There were 208,000 square feet of land. The other builders took it out through a leasehold. I didn't do that. Therefore I didn't make the profit.

The CHAIRMAN. Well, I like to see you make a profit but I am glad you didn't and we are glad to have you as a witness.

Any other questions?

Mr. McDONOUGH. You are a valuable witness. You have had a lot of experience in this thing. For instance, on these people that got a comprehensive loan on a project and were efficient enough to build it for a million dollars less than the commitment, in your opinion, do you believe that in most cases those people were efficient businessmen and astute businessmen and made the profit because they were capable of finding ways to get around corners?

Mr. CHARLES AXELROD. Well, that is not altogether the case, sir. I personally know some of these builders. I also know some of the builders that did not make the profit, and I can tell you—I have one fellow in mind in particular, who doesn't mind getting up a 7 o'clock in the morning, although he is worth millions. And I see him crawling into a 3-foot pipe to see how it is being welded, and he is a fellow

that made a profit. But he produced housing that was very desirable and very much needed.

Mr. McDONOUGH. All right, fine. Now suppose that same man, as careful as he is in building and inspecting his own job, plus FHA inspection, had had the commitment from private sources. He couldn't have made the profit from private financing that he made from the FHA-insured loan, could he?

Mr. CHARLES AXELROD. He could have, if he could have gotten that much of a loan. Remember, sir—

Mr. McDONOUGH. But he wouldn't have gotten that much in the first place.

Mr. CHARLES AXELROD. That is right.

Mr. McDONOUGH. So the Government was generous to the point of allowing more than enough without considering the ability of the man to handle the money, and that is where the fault lies.

Mr. CHARLES AXELROD. That is right.

Mr. O'HARA. Mr. Chairman, will the gentleman yield a moment?

Mr. McDONOUGH. Yes.

Mr. O'HARA. As a member of this committee, I do not want to be put in the position of condoning practices that I don't think were right and on a subject that this committee is not inquiring into.

The CHAIRMAN. That has already been gone into very deeply with another committee, and I don't think we need to get into that any further.

Mr. ADDONIZIO. Mr. Chairman, I have two questions.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. Mr. Axelrod, apparently getting your 220 commitment was like pulling teeth?

Mr. CHARLES AXELROD. Oh, it was tough.

Mr. ADDONIZIO. I would like to have you give some specific recommendations to this committee with respect to FHA's rules and regulations which will make it easy for other builders to get these.

Mr. CHARLES AXELROD. Congressman, I wonder if you would permit me to prepare that in writing and submit it? I would rather do that than submit it off the cuff. You will be here 3 more days?

Mr. ADDONIZIO. We will be here until Friday.

The CHAIRMAN. You can submit it for the record.

Mr. CHARLES AXELROD. I will be glad to do that.

(Additional data submitted by Mr. Axelrod follows:)

AXELROD MANAGEMENT CO.,  
New York 37, N. Y., November 1, 1955.

HON. ALBERT RAINS,

Chairman, Congressional Subcommittee on Housing,  
Washington, D. C.

MY DEAR CONGRESSMAN RAINS: First of all I want to take this opportunity to thank you and your committee for the courtesy extended to me during your New York City visit. I feel sure that much will be accomplished as a result of these hearings that will prove beneficial to all concerned. I was particularly impressed by the interest and diligence of the committee, all members attending every hearing and displaying a keen desire to be helpful.

You were generous enough to state that suggestions submitted to the committee by myself would be helpful in forming the recommendations it would submit to Congress. In addition to those orally submitted in my testimony, I have only 3 items to add which, in light of my experience of 35 years in the real-estate and construction business, I regard as important and vital to the success of the entire slum-clearance program.

First: Liberalize public housing requirements for site tenants of slum-clearance projects.

The biggest bottleneck in slum-clearance programs is relocation. While site tenants have a priority for public housing apartments, eligibility is determined by the Authority based on rigid and onerous requirements and many families are consequently denied admission. In the case of North Harlem, less than 20 percent of the site tenants proved eligible. There must be something wrong with this system which eliminates more than 80 percent of the slum dwellers from public housing. While I realize that only partial control of this situation can be exercised by Congress, a recommendation to the Housing Authority by your committee would bear great weight not only in that phase of the plan that is federally assisted but also on the balance of the program. I urge in the strongest possible terms that immediate and serious consideration be given to this phase of the relocation problem.

Second: Instruct the FHA Commissioner to use the 40-year level-annuity amortization method for 220 projects.

Although the Housing Acts of 1954 and 1955 permit the Commissioner to set the rate and method of amortization payments on all multifamily rental projects and although the above-described amortization-payment method is used in 213 projects our requests for this method were ultimately denied. Commissioner Mason and his staff have on more than one occasion indicated a willingness to accept this plan but when it came to carrying out this promise it was not forthcoming. Vague references to the reduction of the Government's risk were used as an excuse for this denial. A compromise, if it can be so termed, was offered; in order to eliminate further delays I accepted something much less than had been asked for. At the same time, I stated that I was still going to press for my original request. You and your committee can readily understand how a reduction in the debt-services charge will result in a direct reduction in the required rent for the proposed now project. The 40-year level-annuity method sets an amortization rate of approximately 1 percent of the mortgage amount; the method set up the first 220 commitments established an initial amortization rate of 1.7 percent and this rate rises monthly in direct proportion to the mortgage reduction. I have calculated that this situation will result in an additional rental charge of approximately \$5 per month per living unit. This additional rental charge is totally unnecessary and contrary to the objectives and principles of the entire slum-clearance program. You will, I am sure, need no reminder that this program contemplates the construction of high-rise, fireproof buildings where the actual depreciation and obsolescence rates are negligible; the New York City Housing Authority figures a 50-year life for identical buildings.

FHA now grants the amortization method asked for to 213 projects regardless of the nature of the construction and in many cases this is 2-story, 3-story, and 6-story nonfireproof buildings. In the small-home program, FHA grants a 36-year mortgage to frame dwellings. Why a 220 project is not entitled to the most liberal financing terms available is beyond my comprehension since there evidently is a basis for the 40-year level-annuity plan in all types of construction under the 213 program. Certainly fireproof construction in a 220 program should be entitled to at least equal consideration with inferior construction.

Third: Architect's fees

Although the Housing Act, as amended, permits an architect's fee of 3 percent, and despite the fact that at one time 5 percent fees were allowed, and ignoring the fact that all costs must be certified at the conclusion of the job, FHA has limited the potential architect's fee (prior to cost certification) to 1½ percent. Because of the involved nature of this entire program requiring approvals from a host of city agencies, BHFA, and FHA, the planning period for this type of project is extremely lengthy. Architects, like everyone else, must receive payments and be permitted a profit. Consequently, all sponsors should be allowed a maximum architects' fee of 3 percent; in view of cost certification the final result will be that only those fees actually dispersed will become part of the FHA mortgage.

The above are the major points that occurred to me. The Development Builders of New York, an association of title I sponsors, may have other recommendations which would represent a cross section of the problems 220 sponsors are currently facing. I sincerely trust that you will carefully weigh any recommendations made by this group.

Thank you very much for the opportunity of submitting my views.

Very truly yours,

CHARLES AXELROD.

P. S.—We are going to break ground in the Delano Village very soon. I am planning no special ceremony for that occasion, nor when we lay the cornerstone, but when we dedicate these buildings, which will be in about 16 months, I am hoping you and your committee will find it possible to be present, and I have every intention of inviting you.

Mr. ADDONZIO. One other question I have, Mr. Axelrod.

As I understand it, the FHA made you reduce the number of rooms?

Mr. CHARLES AXELROD. The average number of rooms per apartment, yes.

Mr. ADDONZIO. Didn't they also force you to reduce the square footage per room?

Mr. CHARLES AXELROD. No, they wanted an average of 3.3 per apartment. In other words, they wanted more small units and thereby increase the value and rent of the property.

Mr. ASHLEY. Mr. Chairman, I have a couple of questions.

The CHAIRMAN. Just a minute, Mr. Gamble has a question.

Mr. GAMBLE. Because of this delay under 220, you suffered some losses which you have specified here in your statement, charges you didn't expect to incur because of the delay?

Mr. CHARLES AXELROD. That is right.

Mr. GAMBLE. That means it is going to take you a certain length of time to clear out that you didn't anticipate to get away from the loss?

Mr. CHARLES AXELROD. That is right.

Mr. GAMBLE. And you had no way of estimating how much longer it would be before you are out?

Mr. CHARLES AXELROD. You mean out with the loss that is on the books?

Mr. GAMBLE. Yes.

Mr. CHARLES AXELROD. No, there is no way of telling.

Mr. GAMBLE. It will take some years, though?

Mr. CHARLES AXELROD. It may not. It depends on how quick we can relocate the present families that are on the site and proceed with the completion of the program. The quicker we do that, the quicker we will stop the loss.

Mr. GAMBLE. Once your project is complete, what will be the average long-term investment; can you tell that?

Mr. CHARLES AXELROD. It has got to be 10 percent of the cost. We have to certify.

Mr. GAMBLE. Ten percent of the cost?

Mr. CHARLES AXELROD. Ten percent of the cost of construction. It has to be at least that.

Mr. GAMBLE. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. You spoke of the amount of front money which you needed originally, Mr. Axelrod. I wonder what front money was required, if any, on your recently approved 220.

Mr. CHARLES AXELROD. Yes, sir. It will run at least—the minimum will be \$150,000 per building, and there are 7 buildings on the site, and that is over and above land cost and demolition and relocation.

Mr. ASHLEY. It is the cost of the land locked up in the corporation without opportunity to withdraw, except on regulated dividends payable out of earned surplus?

Mr. CHARLES AXELROD. I don't know. That is too technical for me, sir. I don't know if I can answer that. I would have to get my accountants in on that.

Mr. ASHLEY. Do you think that the local agency, in consultation with the Urban Renewal Administration and the FHA should develop plans and specifications for 220 projects on which bids should be received for each such project? Do you think that that would work?

Mr. CHARLES AXELROD. Well, that might be a very good approach. I would have a pretty stereotyped set of buildings.

Mr. ASHLEY. That is right.

Mr. CHARLES AXELROD. You wouldn't want to have 500 buildings exactly the same, and it may not be advisable. Some sections call for different types of construction.

Mr. ASHLEY. Well, I am directing the question more to the procedure and directing it to you as a builder. I want to know if that procedure would be less onerous on the builder and FHA too.

Mr. CHARLES AXELROD. I wouldn't be able to answer that definitely. I would say that anything that can be done to invest power up here in New York, rather than have it transmitted through Washington, would improve the situation a great deal and have somebody here that can answer these questions and act on them.

Mr. ASHLEY. You wouldn't have any particular objection, yourself, to such a procedure; that is, a competitive bid on approved plans and specifications?

Mr. CHARLES AXELROD. No, I personally would not, but I don't mind telling you that I personally don't think I am going to do another slum-clearance job when I get through with this.

Mr. GAMBLE. You mean on the ones that are dropped out?

Mr. CHARLES AXELROD. What ones? When I complete this, I don't think I will go into any more slum-clearance jobs, unless the procedures are such that it will avoid the conditions that I was confronted with here.

Mr. McDONOUGH. And those conditions are largely the time element?

Mr. CHARLES AXELROD. Time, of course, is the essence. Time is the most important thing.

Mr. ADDONIZIO. But your complaint, Mr. Axelrod, does not rest with the law itself, but rather with the administration?

Mr. ASHLEY. It is a very, very sad thing to hear you say that you, with the motives that induced you to get into this thing in the first place, would now be discouraged from ever getting into slum-clearance projects.

Mr. CHARLES AXELROD. I am 61 years old. How much longer can I do this?

Mr. ASHLEY. On the basis of what the last one took you—

Mr. CHARLES AXELROD. I am an awfully old man to complete any more. But I really hope, gentlemen, that the giving of this committee, has cleared the road a great deal, has eliminated a lot of situations that need not come up in subsequent approaches to the FHA.

Mr. McDONOUGH. This is the first one under 220?

Mr. CHARLES AXELROD. This is the first one under 220.

Mr. McDONOUGH. In the Nation?

Mr. CHARLES AXELROD. So I understand, and we had to be the guinea pigs, which probably need not be repeated in the future. Of course, I do want to say I have a son right here who is very capable. He may carry on while I leave off.

Mr. ASHLEY. I have just one final question, Mr. Chairman.

What procedure do you follow in relocation of the residential tenants of an area?

Mr. CHARLES AXELROD. Well, I would rather have my son who has charge of that answer that, if I may.

Bernie, the gentleman wants to know what procedure is followed in relocating the tenants on the site.

Mr. BERNARD AXELROD. The first process is to check each family to determine their income status, family composition, and to catalog each family as to need and requirement, both as to location and as to size of unit and to cost of the unit. We would not want to put a family whose income might be \$70 a week or \$60 a week in an apartment that would require \$100 per month in rent.

When we complete that, we then process that through a New York City Housing Authority assistant that is assigned to our site. These assistants process the files and extract from the files those families that might be eligible for the various projects, both Federal, State, and city subsidized. Those are put in our public-housing file and we concentrate on the balance, the remainder.

In our particular case we started out with not quite 1,200 families. Our original estimates, based upon preliminary surveys, indicated about 700 families would be eligible for public housing now. The balance of the families are encouraged to first find their own homes with cash assistance from ourselves. That would come in varying forms. That would be either actual physical work performed in the new place they are moving to, the purchase of new equipment that would go in there, stoves, refrigerators, and sinks, subsidizing them to the cost of moving, the first month's rent, security payments, and so on.

Many families prefer to find their own homes because with our assistance they can now move perhaps to another borough or another part of the city or the metropolitan area. The other families we keep in constant touch with.

We try to maintain a contact of once per month with every family on the site and find out what the dynamics of the situation are to meet the changing needs and requirements, and we try to maintain—although it is very difficult in our case because of the nature of the relocation program—but we do try to maintain a constant file of apartments available.

In our particular case we have not been able to maintain this file for two reasons: No. 1, many owners of property in the city are reluctant to accept Negro families. That is putting it very badly, but that is the case.

No. 2, the basic problem is that we could not, up until last week, set up a sensible relocation program, because we didn't know where we were going, when we were going, or if we were going.

Now, we are just starting to gear the relocation program up much more rapidly and we hope to complete our relocation within a matter of 12 to 18 months. We still have about 575 to 600 families that will have to be relocated on our site. Some of these families will move into our new buildings. We have about 30 or 40 that we know of now that will take apartments in our new buildings and pay the rents that we will be forced to charge.

That is roughly the relocation program.

Mr. CHARLES AXELROD. I would like to add one point. There will be 762 families in the buildings we build. We believe we can work out something with the tenants applying for our new apartments to get possession of their old apartments and move those that we have on our site into the old apartments.

Mr. ASHLEY. That would just leave the interim period.

Mr. CHARLES AXELROD. No; they wouldn't give up their apartment until we have a place for them, and we think we can work out an arrangement to get a priority for the apartment that will be vacated by the tenant coming into our apartment.

One more point: In designing this plot plan, we had in mind the difficulty that arises with the last 100 or 200 families. They are the ones that are not eligible for public housing; they won't cooperate and become tough to relocate for any number of reasons. On our plot plan we have a 300-foot area that is 300 by 80 that will be stores eventually, but at this time it is a block front of tenements. Now, we had in mind that if we found it necessary we could take these hard-core tenants and move them into the block of tenements that we intend to use for stores because we can delay the store construction for an indefinite period.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. I would like to take time, Mr. Chairman, to clear up one point.

Congressman Ashley suggested, as I understood it, open competitive bidding in this field, and as I understand your reply, if that were done, there wouldn't be any bidders.

Mr. CHARLES AXELROD. I said that?

Mr. O'HARA. You said you wouldn't bid. I didn't get what your reply to the Congressman was.

Mr. CHARLES AXELROD. The way I feel about it now, I personally don't think I want to go into any more slum-clearance situations such as this. Whether or not those that will step into my shoes—and I have two sons who I am expecting will do so—would probably have to be guided by the conditions that are set up about this bidding. I couldn't say whether we would be interested or not interested.

Mr. O'HARA. I merely wanted the record to go that far, because generally throughout the country we favor, wherever possible, open competitive bidding. Yet whether it is feasible in this field, I don't know, and I don't mean by remaining silent to be committed to the suggestion that that is being discussed or decided upon here.

Mr. CHARLES AXELROD. Well, I am in no position to answer that, sir. All I can say is there was open bidding for the project I acquired. There was an auction held through a regular way, and anybody that wanted to could have come in and bid against me.

Mr. O'HARA. My only thought was in my presence here I do not wish to stand committed by my silence to something that someone else has said and on a subject that has not thoroughly been examined.

Mr. CHARLES AXELROD. I don't understand technicalities of this sort.

The CHAIRMAN. Any other questions?

We are going to have to move along, gentlemen. I am going to recess the hearing by 4 o'clock, so we will have to move along.

Mr. McDONOUGH. I have just two questions.

You may refuse to answer this, if you please.



How much money have you invested on this project? How much money have you spent up to now?

Mr. CHARLES AXELROD. I would have to get my accountants to tell you that.

Mr. McDONOUGH. Approximately.

Mr. CHARLES AXELROD. I would say it is between five and eight hundred thousand dollars cash. That is rough. It might be more than that.

Mr. McDONOUGH. And you now have a commitment for 3 of the 8 buildings you are eventually going to bid?

Mr. CHARLES AXELROD. Three of the seven.

Mr. McDONOUGH. And that commitment is how much?

Mr. CHARLES AXELROD. This commitment is about \$2,150,000 per building for 3, but it is only a commitment. If it is less than that, it is less than that, and if it runs more than that, I pay it out. That is the limit of the mortgage I can get.

The CHAIRMAN. Any other questions, gentlemen?

Mr. WIDNALL. Mr. Axelrod, I would just like to boil down the time element in your application.

I believe you testified that in the latter part of 1950 you filed under section 207.

Mr. CHARLES AXELROD. That's right.

Mr. WIDNALL. Then you abandoned efforts under 207 when you were told you would need \$3 million in front money.

Mr. CHARLES AXELROD. That's right.

Mr. WIDNALL. Then you filed later under the cooperative housing, 213.

Mr. CHARLES AXELROD. That is right.

Mr. WIDNALL. And you failed to finish that application because you found that a takeout mortgage wasn't there for you.

Mr. CHARLES AXELROD. That's right.

Mr. WIDNALL. That means that you actually filed your 220 projects in 1954?

Mr. CHARLES AXELROD. That's right.

Mr. WIDNALL. When was that, what month?

Mr. CHARLES AXELROD. Well, Congress didn't pass the section 220 law until 1954. We had to wait until—I think it was passed in June—we had to wait until the regulations came through from Washington before we could file. We could have filed that a year earlier if there had been such a law, or regulations under which we could have filed. I think it was November when we actually filed.

Mr. WIDNALL. You filed in November of 1954 but you waited to make that application pending regulations?

Mr. CHARLES AXELROD. Regulations and law.

Mr. WIDNALL. Then I think you were asked to submit architectural plans that required some changes, and then you resubmitted when; in April of 1955?

Mr. CHARLES AXELROD. We were called in in February and told we had to forget the plan that was in the hands of the FHA for several years. We could have been told that 6 months earlier, you know. As soon as I heard that and realized that I would have to file new plans, we got our architects and engineers on the job, worked them almost day and night, and weekends, to complete the new plans, which we

accomplished in 6 weeks. We didn't fight with the FHA. We didn't quibble with them.

There are lots of conditions in these new plans that I think are superfluous that shouldn't have been in there, but we agreed to them in order to get the job through in a hurry.

Mr. WIDNALL. Well, then, was there any timelag because of trying to find a commitment from a bank for your financing?

Mr. CHARLES AXELROD. No, sir; not for the 220. As soon as 220 came on the books, I had my financing arranged.

Mr. WIDNALL. One other thing: On page 7 you said the New York State rent laws, unless reasonably and properly administered can be a substantial bottleneck in slum-clearance projects.

Has that in any way applied to your applications from 1950 on?

Mr. CHARLES AXELROD. I again have to defer to my right-hand man at my right to answer that. I don't know too much about the details.

The CHAIRMAN. Mr. Widnall, I don't want to cut anybody off, but suppose we ask him to file it for the record. We won't get through with four other witnesses this afternoon if we go into these long detailed discussions.

Mr. WIDNALL. My only point was to find out whether the timelag at the other end was because of complications of the New York State rental office

Mr. BERNARD AXELROD. No; that was through complications of the New York rental law. We were able to obtain sufficient ownership to start construction of the first three units. The New York State rental law has restrictive provisions in there which rightfully protect the tenants in the State from eviction. However, there are many cases where some site tenants arbitrarily refuse to move to any sort of accommodations that might be found for them, and consequently certain procedures and machinery have to be gone through at the State rent commission offices in order to get what we call a certificate of eviction, and that is essential prior to going into the local courts.

Now, an unreasonable administration could delay the issuance of that certificate for an unusual length of time or require a 6-month stay prior to the court action, and that was what was implied in that particular phrase.

We have managed to work that out with the State administrator where he is giving us every cooperation.

Mr. WIDNALL. Thank you.

Mr. CHARLES AXELROD. I also stated in that statement that the area in which I received the commitment has been cleared for a year and a half. We could have commenced then.

The CHAIRMAN. Thank you, Mr. Axelrod, very much. You gave us a good statement.

We will now have Mr. Joseph McMurray for cross-examination on his statement this morning.

Mr. McMurray, you made it clear that you were not leveling at any individual in FHA, which I appreciate. What this committee is trying to do is find out the bugs in the law and to locate, if we can, the bugs in the administration and to be level in each instance.

Now, first of all I would like to ask you to give to this committee recommendations which you may have for any change in the 1955 act that would be beneficial, other than those changes of amounts of money which you recommended.

We understand the purpose of that. There is no need to go back over that. But do you have any recommendations as to further needed changes in the act of 1955 that would help to meet these needs that we have been talking about here so much?

Mr. McMURRAY. Well, I did make a recommendation on title I, the Urban Renewal Act, in which I suggested a change from 66 $\frac{2}{3}$  percent to 80 percent, and I did recommend an increase in the authorization for loans and grants.

In regard to title III, the public housing, I also indicated that I thought it would be good to go back to the original 1949 act, which provided for on an average of 135,000 units a year.

On the FHA provisions of the act, I have to review a good deal. I might make further recommendations.

In general, though, I think the change from value to replacement cost did a great deal in terms of taking care of the problems that have been discussed here.

The CHAIRMAN. You think that was a good change, then?

Mr. McMURRAY. A very good change, especially because you still have the cost certificate in there.

I might hesitate without the cost certificate, but there it seems you have a final way of catching any possible windfall.

Now, of course, it is true, I suppose, that even the cost certification, someone can certify and lie, but there are penalties under the law to do that.

The CHAIRMAN. Absolutely.

Mr. McMURRAY. Now, I think, generally speaking, the FHA program in the law is good. There is one thing I know, for example, the limitation of the amount of any one commitment to \$12,500,000, that was changed from \$5 million to \$12,500,000 in the last act, and I think that was good. I just feel that we ought to be realistic about this, and I don't know what the total commitment for those 7 buildings of Mr. Axelrod would be, but I am inclined to think they might be in excess of \$12,500,000, so he probably has not 1 mortgage but, let's see, he might have 2 and possibly 3 different commitments to get that.

Now, it makes better sense, I think, in being realistic about it, and being honest about it, to say, "Well, let's determine what the project calls for and make a commitment on that basis."

Also, it gives the man a better opportunity to plan his project in a more intelligent way.

This way, and this is a matter of regulation, much of my criticism runs to the regulations and the administration and not to the law. It might be on further examination that there would have to be some changes, technical changes in the law. That I am not certain of at the moment.

The CHAIRMAN. Well, this amendment that you just discussed, I am proud to say that was my amendment, raising it from 5 million to 12 $\frac{1}{2}$ . Do you think it ought to be more?

Mr. McMURRAY. I don't know if there should be a limit on it. I suppose you can put a limit on it. At one time under section 207 there was a limitation of \$50 million. Suppose you are only taking 1 mortgage in New York and therefore can do only 1 block. It might be a sounder project to do it for \$50 million when you change the composition of the whole neighborhood and make that particular building

within the larger area a much better risk and the people that are living there are much more likely to stay there, whereas, if you do it on a smaller scale, the neighborhood around it might not be so good.

All I say is why not be honest about it and do the logical thing. I don't think this is awfully important, but it did make this difference: When the \$5 million limitation was there, it did make builders resort to things that were not frowned upon—everybody knew it was going on—but they had to put firewalls in buildings to make two mortgages where there really ought to be one. I think it could be that with the \$12,500,000 limit, it wouldn't be 1 building, but you might have other artificial barriers that are just as bad economically.

The CHAIRMAN. One other question, and then I will move along.

Forget now, if you can, your duties as commissioner for the State of New York, and think for a moment across your experience as a long-time worker in housing legislation and an observer of other cities not like New York.

We will think now of Austin, Tex., of cities of that size, and then I will ask you this question—and you have plenty of them upstate of the same size:

Whereas in New York it is easy to present a workable program in public housing, including the land use plan, all of the things which you have and are adequately equipped to do here; what about the smaller cities, can they measure up to the requirement of the PHA for its workable program as enunciated by the regulations?

Mr. McMURRAY. The answer, to give you a fair answer, is "No." To explain what I mean, I should say this:

The way it has worked in practice, I think more recently the Urban Renewal Administration and Public Housing have been very reasonable in what they think Congress meant by that.

I think Congress was very wise in saying something about a workable program. I think that Congress meant that they wanted not a city by itself to come in and get Federal help without doing anything on its part. They wanted the city to say, "Yes, this is our problem, too, and to show that we recognize this is our problem, we are going to do certain things that we have to show that we want to do something about the city as a whole," and it was that intention that I think motivated Congress to do what it did.

I think that in the first blush, right after the Congress had acted, that they interpreted very strictly that you had to have, for example, a complete city plan with land use very well defined.

Now, no small city could possibly do that. But the way it worked out in practice, I think they solved the problem, and I think that the only thing I can say is that they accepted long-range promises that may not mean anything, and it did cause an awful lot of delay at the time in order for the administration to get to the point of being realistic about it.

New York City had an authority at that time. I happened to be executive director. It meant for us a great deal of work to bring together all of the things that we were doing. In other words, it took probably a thousand man-hours and a great deal of typing and preparing reports in order to get this done, when actually we were doing everything that we were supposed to do.

I think the purpose was good. I think originally the delay was unfortunate. I think that they pretty well made it work out.

The CHAIRMAN. It changed some of the regulations in recent months.

Mr. McMURRAY. Yes.

The CHAIRMAN. Well, here in New York it is easy to see your need for Federal aid in public housing. I am speaking my own viewpoint.

But 8 million units out of 35,000 is not realistic for—as a share throughout the country, and there can be no public housing unless every town and hamlet across the country gets its break, because that is the way this country operates, so I make the statement and ask if you concur, that there must be some kind of variation between the land use program and codes, and so forth, between what you could invoke here in New York and the smaller cities throughout the country.

Mr. McMURRAY. Absolutely. There is one thing I forgot to answer the chairman on, that I would like to say for the record anyway. And forget my duties as the commissioner of the Division of Housing in the State of New York. I interpret my job in the very broadest sense, and I am even interested in housing in Texas.

The CHAIRMAN. Or Alabama?

Mr. McMURRAY. And certainly in Alabama.

The CHAIRMAN. All right, I thank you.

Mr. Addonizio.

Mr. ADDONIZIO. Mr. McMurray, I am sure you are familiar with the 221 program.

Mr. McMURRAY. Yes, sir.

Mr. ADDONIZIO. And I am sure you will agree with me that is a dead letter issue program.

Mr. McMURRAY. There have been no commitments issued as far as I know.

Mr. ADDONIZIO. I would like to ask you how you think this program might be stimulated or renewed.

Mr. McMURRAY. Well, in New York City the limitation in the mortgage amount made it practically impossible to work and as far as my knowledge of costs around the accounting, it is very difficult to operate.

There was also one other difficulty that the last Congress removed, and that was that the only people who were eligible for it were those people who were being dislocated by other programs, and that is part of the workable program. That has been removed.

I was very concerned, though, about the section 221, at the time, of going a little too far; it might have been a little too much of an incentive. I frankly don't understand why it cannot work now. I think there is one program, if I were the Administrator of FHA, I would watch very carefully to see that 3 years from now another congressional committee does not come along and say, "What is going on here?"

The CHAIRMAN. You are talking about 221?

Mr. McMURRAY. In other words, I think it should work very good because it is possible for a builder to go in there and do a good job and make a profit. I am just worried he doesn't make too much profit.

Mr. McDONOUGH. You mean 220 or 221?

Mr. McMURRAY. 221.

Mr. McDONOUGH. So that is one you would watch closely?

Mr. McMURRAY. I would watch it closely; yes.

I want to be perfectly honest with the committee.

Mr. ADDONIZIO. I have one other question: On page 8 of your statement you said that you were very concerned about credit restrictions that are aimed directly at reducing the increase in our housing supply. Would you elaborate on that more fully?

Mr. McMURRAY. Yes, sir. The Administrator, the FHA, I presume, with the concurrence and at the stimulation of the Treasury Department and the Federal Reserve Board, increased the down payment by 2 percent. Now, that isn't, as a matter of fact, looking at it in terms of percentages, very much, but the other thing is they reduced the amortization period from 30 years to 25 years, but we work on margins and the little fellow who is making \$80 a week with 3 children, if he has to put up \$200 more, for example, on a \$10,000 house, and he has already gotten together by an awful lot of economy and budgeting, say he needs \$400 for his closing, and he has to put up—it is only in some areas that you can get no down payment, as a matter of fact—and then when you buy a new house you also have to buy furniture, and so on, so this is being realistic about it.

To get that \$200 in many cases means he is out of the market; the other thing is when you reduce the mortgage terms by 5 years you may increase the payments by—I am not sure, but I would say roughly seven and a half dollars a month. That puts many people out of the home-buying market, and it is the margin there that has been a great opportunity for the little fellow to buy a home.

It seems to me that our country is certainly productive enough and big enough that we can provide just as many houses and more than we have been producing without hurting other parts of the economy, and I think if we want to solve this problem we ought to, as I said, keep our eye on the ball and figure out ways and means of stimulating home ownership and the opportunity of veterans to secure themselves a decent house in a decent neighborhood.

I have also in my statement pointed out that I think the restriction on credit will have the effect of increasing the price, reducing competition, and by reducing competition reducing value of the house and have just the opposite effect that you would think it would have if you proceeded on a different kind of logic.

I am talking on the basis of looking at it, because, very frankly, I have changed my ideas on this. I used to think, and I was concerned when we dropped the down payments, that it would immediately capitalize into higher prices, but, on observation, especially in Long Island and Nassau County, and around the State, it is my considered judgment that you get more value for your dollar today than you did 2 years ago, so I recognize the mistake of my own thinking.

Mr. ADDONIZIO. Thank you. That is all.

Mr. WIDNALL. Mr. McMurray, isn't that true, though, also because of the fact that there is more competition to sell houses than there was 2 years ago?

Mr. McMURRAY. I am sure that that is partly the case; yes, sir.

Mr. WIDNALL. In other words, the builders have caught up with demand?

Mr. McMURRAY. Yes. They first started to build high-priced houses, and now some of those builders have moved into the lower-priced market, but I am sure that the change in the down payments was an inducement.

Mr. ADDONIZIO. Do you actually believe the builders have caught up with demand, as he said?

Mr. McMURRAY. I thought he said catching up with demand.

Mr. WIDNALL. Caught up with the demand a little bit.

Mr. McMURRAY. Yes.

Mr. ADDONIZIO. In certain areas.

Mr. McMURRAY. Yes.

Mr. McDONOUGH. Mr. McMurray, the problem you have had here on commitments as far as delay in time is concerned, and the fact that you now have a commitment on one of these slum clearance projects in New York, do you think that since this is a pilot operation, or experimental, that we may have some of the bugs out of it and get a little faster action from here on?

Mr. McMURRAY. I certainly think so, and from what I hear from the builders the FHA is really moving in and, as I said in the beginning of my statement, I think the fact that you gentlemen came here will grease the wheels considerably, and I also think in being fair to the people in the FHA and the HHFA office, in general, that it is more difficult when you get started. It is just a matter of degree in all of these things.

I think that it has been just too slow, though, and I think let us forget about that in the past. From now on let us just get going and get on with the job so that we won't have to think about the criticism.

One month later from now if these things are gone we will even forget that they ever existed, and you wouldn't hear such testimony.

Mr. McDONOUGH. You say you think that the regulations are a little restrictive on room size, and they ought to be a little more flexible?

Mr. McMURRAY. Yes, sir.

Mr. McDONOUGH. How much more flexible do you think they ought to be?

Mr. McMURRAY. Well, what I was thinking about was this, and I start with the basic assumption that the FHA was started with the idea of stimulating private enterprise to do a job, and if you have private enterprise you have it, that is these fellows are paid, and they are to make profits on the basis of their good judgment. It happens in the New York area, for example, the FHA will have a general minimum standard across the country, and then they will have certain variations within New York City, possibly.

Now, it might be that in New York you have various neighborhoods. You might very well build different room sizes, living room or bedrooms, in Greenwich Village, if you are building down there, as compared with the upper East Bronx, and I think that a builder, if it works right, has his money invested, and he wants as much success in his project as the FHA does. He doesn't want to lose money. He wants it to be a success. Not only the money—I find one thing, these builders have a great deal of pride in their projects. They are very much interested in them. I honestly recognize their real interest in doing a job for the people. It is not simply alone to make a profit, and they want to go into a job that will be a success, so they might decide in this area in Greenwich Village people like large living rooms. That is the market there, give them large living rooms. Don't let the FHA in Washington tell them what size the living rooms should be. Similarly as to the size of bedrooms.

Now, I think that they have rather rigid standards on that and that is what I mean by flexibility. Let the local administrators determine that, and give the builder a little more opportunity.

The other thing is in each project in each building they require the same distribution of apartments. It might be for good planning purposes you might put, for example, and I am not sure this is good—you put all of the smaller apartments in the corner near the subway, because the old folks, maybe, or single persons, live there and you might put the large units in another part back near the playground. You don't have that kind of flexibility, and that is the kind of thing I was referring to.

Mr. McDONOUGH. I see.

Mr. McMURRAY. To be specific, in answer to your question, I wouldn't want to say what they should recommend in terms of specific room size. All I say is to the maximum extent allow private enterprise, the entrepreneur, and give him credit for wanting to do as good a job as the FHA. In fact, many of them are a lot more expert than the people in FHA, and that is no criticism of the people in FHA. Because some of these fellows have made their mark in terms of having sold in private enterprise a lot of good apartments, and have made a lot of money in it, and I think it is a pretty good standard to judge a man on that basis.

Mr. McDONOUGH. What has been your experience as State housing authority commissioner with the State control commissioner on enforcing the law, such as this place I saw down on 10th Avenue.

Mr. McMURRAY. Well, I want you to understand as the State commissioner of housing we are in the nature of a banker, not in the nature of an operator. So I haven't had any experience with that.

The commissioner of rental control is Charlie Abrams, and I know that he is interested in the tenants, and he also recognizes that there is a landlord that has to make a reasonable return.

On that specific case that you are concerned about, I was concerned about it myself, and I can't answer your question, but maybe I can give you some indication of what might have happened.

First of all, the State rental control law took over from the Federal law. During the Federal law there were a lot of provisions at one time which knocked out roominghouses. At one time they allowed alterations, and in those alterations they gave them a rent allowance, and it was based on how much money they put in it.

There was one period when the Government was encouraging people to alter apartments so that veterans could get some places to live because they couldn't build them that fast.

The CHAIRMAN. Well, also there was a change in it once in which they allowed them to up the rent if they allowed them to furnish the apartment. It was poor furnishing, but that was a furnished apartment we saw.

Mr. McMURRAY. So the State rental control doesn't start with itself. It is a carry-on, and it takes over some of the good and some of the bad things that were done in the Federal law.

Now, it might be that the rent administrator at one time, regardless of who he was, maybe this was originally, and it looked to me like it was a private dwelling house, and it was converted, and in the conversion they allowed a certain rent, presuming one person. Now, we saw in it as a roominghouse it was converted from a roominghouse



to an apartment, and 6 people were there. Well, the rent administrator has no control on how many people will come in. That is under some other law.

Mr. McDONOUGH. This is only one family there.

Mr. McMURRAY. Yes, but the number of persons in there is not under his control.

Mr. McDONOUGH. It is still too much for one room, \$75 a month.

Now, one other thing. We didn't seek this place out. I didn't know anything about it until we got there.

Mr. McMURRAY. I was responsible for bringing you there.

Mr. GAMBLE. I thought that was true.

Mr. McDONOUGH. Now, suppose they condemn that for slum clearance, and the owner of the property demands his value on that block on the basis of the income he is getting, \$75 a month for one room. That is an outrageous price.

Mr. McMURRAY. Well, I am not sure how much they allow for that, but I am sure it is affected somehow. I think, Mr. Chairman, this question is important enough you should get an accurate answer to it. If you permit me, I will get in touch with the rent administrator and give him the exact case, and for the record you will have an answer to your question rather than guessing at it.

The CHAIRMAN. Fine

Mr. O'Hara.

Mr. O'HARA. The highest compliment to our dear and old friend, Joe McMurray, is to say that his statement, his oral statement, the statement he inserted in the record, and his answers here under cross-examination, have so completely covered the subject and so convincingly that any question from me would be surplusage.

Thank you.

Mr. McMURRAY. Thank you very much.

The CHAIRMAN. Any questions?

Mr. GAMBLE. Mr. Commissioner, isn't it true that New York State has provided facilities for more houses than the rest of the United States?

Mr. McMURRAY. Yes.

The CHAIRMAN. What was that statement again?

Mr. McMURRAY. The State housing for low-rent people have provided more housing in this State than all of the other States combined.

Mr. GAMBLE. That is what I thought.

Mr. McMURRAY. Right now there are 37,000 units in the State of New York under this program, approximately 8,000 under construction and planning, and by 1960 we will have approximately 62,000 units.

Mr. GAMBLE. And you have another bond issue pending for this fall?

Mr. McMURRAY. Yes, sir; in the election this November, which is, incidentally, supported by both the great parties.

Mr. GAMBLE. May I ask you one question, I don't know whether you want to answer it or not. During the Joint Committee on Housing, and in the Banking and Currency Committees of both Houses, there has been quite a lot of talk, but it was never put in the law, as to accelerated amortization. There has been a considerable amount of interest on that in New York City.

Do you want to express an opinion on that, or not? I don't want to embarrass you.

Mr. McMURRAY. Nothing you could ask me, Congressman Gamble, would embarrass me, because you only ask intelligent questions, and I know you are interested in this subject.

The subject is a complicated one, though, and, generally, I think that that would be a good stimulation to the housing supply of our country. I think at the same time I would like to say, of course, this has been a question that is up to the Finance Committee and the Ways and Means Committee. They have used accelerated amortization with great success to get defense plants started, and I think this problem is big enough and complicated enough, and will lead to some of the same social evils that it could create in another kind of war, war between peoples in our own country, and otherwise, that we ought to be willing to do the same thing to promote better living and better citizenship as we are for fighting the war.

I would also like to say that this is a subject that I wish later on the chairman might look into. Maybe I can have some people in our division give it careful study, but the internal revenue laws are something that ought to be looked into. As far as I know, now, they do not treat real estate investment in the same way as they treat other types of investment, and perhaps by the time you conclude your hearings around the country I might be ready with some specific recommendations on the internal revenue law and show you how you might very well stimulate some more interest in housing construction by amending your internal revenue laws.

Mr. GAMBLE. It is the general opinion that it would increase building, is it not?

Mr. McMURRAY. That is right, and the Congressman from New York, Keogh, has introduced a bill into the Congress which I think your committee ought to give—I haven't studied it in detail, but the idea of it I think is worth very serious consideration.

Mr. McDONOUGH. As a matter of fact, that same formula could be applied to State income taxes for housing.

Mr. McMURRAY. It certainly can, sir.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. Mr. McMurray, going back to Mr. Addonizio's questions on section 221, is it your experience that any appreciable number of people displaced under the title I program would be in a position to pay the 7 percent downpayment called for under section 221?

Mr. McMURRAY. Not appreciable numbers, but I think you would get some people. We made a study in New York of what the incomes of people were for title I. The figure we got was that on an average 37 percent were eligible for low-rent housing. Some of them probably could pay the downpayment, but I don't know if we should determine whether it is workable or not by an appreciable number. If 10 percent of them can do it, that solves 10 percent of the problem, and, if it does, then, it is good.

Mr. ASHLEY. Now, do you think that one approach to the slum problem might be to make slums so burdensome to the property owner that it simply isn't economically feasible for him to continue his premises in that condition?

Mr. McMURRAY. Your question to me is do I think that is the way of solving it?

Mr. ASHLEY. Do you think that might be one approach?

Mr. McMURRAY. Yes, I think that is one kind of an approach but I think it is the kind of thing that it is easy to say and pretty hard to work out in detail.

To put it another way, we certainly shouldn't make it as attractive as it is, and one of the answers is the instance cited by Congressman McDonough. Take, for example, the house that you looked at. There was \$75 a month, and that \$75 a month was probably equal to about \$4.50 a square foot, which is about 3 times more than you would pay for a Park Avenue apartment. If you can get 3 times Park Avenue rents for that kind of stuff, it stands to reason that you are going to get a lot of people interested in that kind of program.

You saw the \$75 a month, and one of you Members of Congress that was on the trip yesterday remarked here is a place of one room for \$75 a month when under Mr. Kazan's project, the International Ladies Garment Workers, the same project is \$80 a month. I think there is the economics of it very dramatically.

The other thing I want to point out in connection with this is this, that hasn't been touched upon. Actually the Federal Government is making a very wise investment in clearing slums because what they are doing is, you have seen some of these projects. You happened to see the 59th Street project, the coliseum. Just imagine the income that that is going to create, taxable income, for the United States Government. Imagine how much income that is going to create for the city of New York. Imagine how many people are going to be put to work because of that. Imagine all of the hotel rooms that are going to be rented because of that. I would venture to say in 1 year after that is erected the city and the Federal Government will get back whatever they put into it.

Also, if you take a look up in the Harlem area where Mr. Axelrod is building, if you have seen it before, some of the places were cut down, and remember the taxes that were paid there, and then you come back here 5 years later and find out how much taxes are going to be paid there, and how much the income of the people is going to be increased because they live in decent housing, and are going to be more productive citizens, and also figure out how much the Government of the city of New York is going to save in dollars and cents because they don't have policemen there, they don't have juvenile delinquency, and so on, and, boy, it is a wise investment.

This is good capitalism, and this what you are talking about. If we only could get the whole Congress of the United States to come around and do what you gentlemen are doing we wouldn't have a problem for the next 2 years.

Mr. GAMBLE. Why don't you try to get the congressional committee that comes up to New York every spring to take a tour like we did yesterday?

Mr. McMURRAY. I wish that the chairman would expand his committee at least by 150.

Mr. ASHLEY. Mr. McMurray, I just have two other questions. This morning you directed some criticism to the FHA stating that the regional office here in New York as presently operated serves no useful purpose at all because it declines to make any decisions or accept the responsibility for any decisions without checking and doublechecking with the home office in Washington. Now, we have heard a good deal

of substantiating testimony today with respect to 220 projects, and I wonder if this criticism goes beyond the 220 projects, and, if so, where?

Mr. McMURRAY. I think, as you read back the statement to me, I think I was carried away a little bit by my own words. I certainly think that if I were being fair and I want to be fair, that I wouldn't make such a broad statement at all. What I meant to say was in this context of talking about the multifamily rental, that it served very little purpose. It probably should be revised to say that, and I would be fair in saying it.

Mr. ASHLEY. You were directing it, then, to the 220's mainly?

Mr. McMURRAY. I was talking mainly of the multifamily rental type. I am sure from the activity that goes on in the 203 program that the same criticism couldn't be justified, but, on the other hand, they have been operating that for the last 20 years, more or less, and they are pretty familiar with it, and I wouldn't be surprised if you would find that there is a lot more flexibility in that program than in the multifamily project program.

The CHAIRMAN. Well, in the context of your statement this morning, Mr. McMurray, what you were really talking about was all regional offices of FHA in every section of the country needed to have more authority to act. That was the impression. Was that what you meant to say?

Mr. McMURRAY. Exactly.

Mr. GAMBLE. That is what I thought.

Mr. ASHLEY. Then my last question, Mr. McMurray: You stated this morning that FHA allowances for overhead, profit, and architectural fees were unreasonable. You then go on to state in your prepared statement that perhaps the revised regulations which permit the 7 percent to the builders for overhead and profit may not do the job too; is that correct?

Mr. McMURRAY. I would say it is a matter of degree. You will get some more in at 7 percent than you will at 5 percent, but whether you can get them in sufficiently at that is the question that I raise.

Mr. ASHLEY. That is what I am asking. Is it your opinion in order to get the job done—

Mr. McMURRAY. I will tell you what we are going to do in the State program, and I am going to take my calculated risk on this—

Mr. ASHLEY. Well, I know what you are going to do in the State program and I was about to ask about that. That plan calls for 6 percent.

Mr. McMURRAY. Maybe I can combine the two of them. We are going to allow a builder a 5-percent profit. As an incentive for efficiency to encourage him to do a more efficient job, we will allow him up to 7½ percent, if, for example, he gives us an estimate which we think is a reasonable estimate, and then he comes along and does it cheaper than he expected, we say good for you, we will give you 7½ percent. That is, you share with the housing company. They have to reduce the mortgage. Whatever the difference is, they reduce the mortgage, and they increase their profits up to 7½ percent.

Then we also say, we will allow 3¾ percent for overhead, and that includes an architect's fee. Now, that means that if a very efficient builder comes along he can get 7½ plus 3¾. Now, don't forget that a builder has to have an overhead. He has to have telephone calls. He

has to have a car to run down to the place. He has got himself. He is on the job. The very fact that Mr. Axelrod spent here this morning, and I don't know how long he did, in preparing his testimony, and I don't know how many times he went to the FHA, I don't know how many long-distance calls he made, all of that costs money, and all of that is time. He could just as well, from my observation, he is a pretty able man, I am sure that with his time he could be making some good money some other way, but he apparently has enough stick-to-it-ness to see this job through, and we should credit him with that.

But I think we should pay for that. The American people are willing to pay for it, and will get good housing. That is being fair about it.

We also audit the books at the end so if there is anybody doing any monkey business we will catch them.

Mr. WIDNALL. Mr. McMurray, there is just one question I want to ask you. Has it been brought to your attention at all that some lending associations have been asking unusual percentages for the placement of mortgage money, as between builder and lender?

Mr. McMURRAY. It hasn't been brought to my attention directly in this connection, but I am familiar enough with the mortgage market to know that there is what we call discounts and premiums. But I think that is a function of the money market more than it is a matter of what is right and wrong. In other words, if the money market is such that they feel on an FHA loan that they have to have a yield of  $5\frac{1}{4}$  percent, they will only buy the mortgage at 96 or something like that. I don't think that really you can legislate on that. I believe that we should have a free money market, and I think that we have to work within that. I think when you start to use gadgets to do that you are going to upset other things that you better be very careful about.

You do have the Fannie May as one attempt to get around that.

The CHAIRMAN. Joe, we can spend the afternoon talking to you and be well informed. You are a very eloquent gentleman, and we appreciate your coming before our committee and before we wind up we are likely to hear from you again down in Washington next January.

Thank you very much, and we appreciate your waiting until afternoon.

Mr. McMURRAY. Thank you.

The CHAIRMAN. We must move along now because we have two other witnesses.

The next witness is Mr. Walter J. Gill, executive vice president, Alexander Summer Mortgage Co. I understand that he is from our colleague's town of Newark.

Mr. GILL. That is correct.

The CHAIRMAN. We are delighted to have you, Mr. Gill, and you may proceed. I understand you have a written statement.

Mr. ADDONIZIO. Before he starts, I would like the record to show I am happy to see Mr. Gill here. He is a former constituent of mine, very able, and I am sure he will give us some valuable information.

Mr. GILL. Thank you very much, Congressman.

**STATEMENT OF WALTER J. GILL, EXECUTIVE VICE PRESIDENT,  
SECRETARY, AND DIRECTOR, ALEXANDER SUMMER MORTGAGE  
CO., NEWARK, N. J.**

Mr. GILL. Chairman Rains and members of the committee, my name is Walter J. Gill, of Newark, N. J. I am executive vice president, secretary, and a director of Alexander Summer Mortgage Co., Newark and Teaneck, which firm is an approved mortgagee of Federal Housing Administration. I have served as president of Real Estate Board of Newark, vice president of New Jersey Association of Real Estate Boards, governor of Mortgage Bankers Association of New Jersey, and am presently a national director of the Mortgage Council, Washington, D. C., and member of the national FHA committee of the Mortgage Bankers Association of America. Other trade association affiliations and business background in detail are shown on pages following this presentation.

My firm originates mortgages on real property, principally in the northern section of New Jersey, and currently services a mortgage portfolio of approximately \$61 million for 19 financial institutions.

I was happy to accept your kind invitation to appear here today to discuss with your committee the subject of rental housing, its need and financing pursuant to the provisions of the National Housing Act, as amended.

May I state, at the outset, that my firm has arranged the financing of 76 such multiple-family housing projects comprising 11,100 dwelling units, and involving an aggregate of \$80,483,400 in mortgages insured by Federal Housing Administration under various sections of the act.

In the fall of 1953, President Eisenhower named a 23-man Advisory Committee on Government Housing Policies and Programs, chaired by the Honorable Albert M. Cole, Administrator of the Housing and Home Finance Agency. This committee, all experts in the field of housing, devoted approximately 9 weeks to an exhaustive study of the situation and, on December 14, 1953, submitted a 377-page report to the President. Much of the committee's recommendations was incorporated in the administration message to Congress, and formed the basis of the Housing Act of 1954, as originally introduced.

The measure was designed to accelerate construction of all types of housing with particular emphasis on rehabilitation and neighborhood conservation. In sections 220 and 221 of the act it was proposed, for the first time, to provide a vehicle to aid in the financing of properties in blighted areas. In addition, it was proposed to revise section 207 in a manner designed to provide a more realistic approach to the financing of middle-income housing.

These revisions, although finally adopted in substantially the form originally proposed, were not productive of the desired results largely, it seems to me, because of additional amendments offered subsequent to the introduction of the measure.

To illustrate my point, I submit herewith the record of dwelling units—includes sections 207, 213, and 908—involved in project, rental and cooperative, applications filed with Federal Housing Administration for the years 1953, 1954, and the first 8 months of 1955. These units, which you will please note are national totals, not local, appear on the schedule next following this page.

The CHAIRMAN. I suggest, Mr. Gill, that since the statement is before the committee, that that information you refer to be incorporated at this point in the record of your testimony.

Mr. GILL. The entire statement?

The CHAIRMAN. Yes, all of these applications that you have here.

Mr. GILL. The statistics?

The CHAIRMAN. Yes.

Mr. GILL. I quite agree.

(The material referred to is as follows:)

*Project applications filed with FHA nationally (includes secs. 207, 213, and 908)  
(multifamily rental and cooperative housing)*

Month	1953 units	1954 units	1955 units
January .....	4,511	9,326	420
February .....	5,163	5,695	199
March .....	6,968	9,294	1,025
April .....	9,707	6,533	311
May .....	6,217	4,388	1,009
June .....	5,938	5,250	1,766
6 months total .....	38,504	40,486	4,730
July .....	3,897	1,136	767
August .....	9,895	167	-----
September .....	1,972	64	-----
October .....	4,329	750	-----
November .....	6,889	1,884	-----
December .....	8,111	266	-----
6 months total .....	35,093	4,267	-----
Total .....	73,597	44,753	-----

AVERAGE NUMBER OF DWELLING UNITS PER MONTH (APPLICATION STAGE)

1953 (12 months) .....	6,133	1954 (2d half) .....	711
1954 (1st half) .....	6,747	1955 (1st half) .....	788

QUALIFICATIONS OF WALTER J. GILL, NEWARK, N. J.

Residence: 375 Mount Prospect Avenue, Newark 4, N. J.

Business: 1180 Raymond Boulevard, Newark 2 N. J.

Born: October 7, 1912, in Newark, N. J.

Experience: Licensed real estate broker, States of New Jersey and New York; licensed insurance broker, State of New Jersey. Appraised, purchased, sold, managed, and financed real estate throughout northern New Jersey for individuals, insurance companies, banks, fiduciaries, and building and loan and savings and loan associations over a period of 25 years. Since 1947, executive vice president, secretary, and a director of Alexander Summer Mortgage Co., of Newark and Teaneck, an approved mortgagee of Federal Housing Administration, and executive vice president and a director of Summer Mortgage Service, Inc., of Newark and Teaneck. Assistant manager of real estate department, Eleventh Ward Building & Loan Association, Newark, N. J., 4 years. Real estate sales and renting manager, Lincoln Mortgage & Title Guarantee Co., Newark, N. J., 4 years. Real estate sales manager, Franklin Mortgage & Title Guaranty Co., Newark, N. J., for 2 years. Have qualified as real estate expert before courts in New Jersey, tax boards of Essex and Hudson Counties, State Tax Appeals Board of New Jersey, and various planning boards and boards of adjustment in the counties of Essex and Bergen. Have acted in capacity of fee appraiser for Monroe Savings & Loan Association of Newark, N. J.; Union Central Life Insurance Co. of Cincinnati, Ohio; State Mutual Life Assurance Co. of Worcester, Mass., city of Newark, N. J.; Fidelity Union Trust Co. of Newark; Veterans' Administration of the United States of America, and Department of Banking and Insurance, State of New Jersey.

Affiliations: Member, Mortgage Bankers Association of America; Mortgage Bankers Association of New Jersey (governor 1951-55); Mortgage Council (national director); National Association of Real Estate Boards; New Jersey Association of Real Estate Boards (vice president, 1953); Real Estate Board

of Newark, N. J. (past president); Institute of Real Estate Management (New Jersey past president); National Institute of Real Estate Brokers; Society of Residential Appraisers; National Association of Home Builders; New Jersey Home Builders Association; Home Builders Association of Metropolitan New Jersey; Lions Club of Newark (past president).

Gill served as president of Lions Club of Newark 1948-49; held every office in New Jersey Chapter of Institute of Real Estate Management, and became president in 1950; held every office in Real Estate Board of Newark and became president in 1951; designated "Newark Realtor of Year 1953"; served many years as a director and in 1953 was vice president of New Jersey Association of Real Estate Boards; member of board of governors, Mortgage Bankers Association of New Jersey 1951-55; vice chairman, Newark Central Planning Board Subcommittee on Rezoning 1951; served on Essex County grand jury 1947 and again in 1952; member of Industry Advisory Committee to Housing and Home Finance Agency, Washington, D. C., representing National Association of Real Estate Boards, 1953; member of study committee on Financing of Cooperative Housing of NAREB, 1953, member of Newark Committee for Neighborhood Conservation and Rehabilitation since 1953, member Newark Traffic Commission 1951-54; commissioner on Newark Board of Assessment for Local Improvements 1953-54; commissioner on Newark Zoning Board of Adjustment since 1954, member of street and highway committee of Newark Chamber of Commerce, 1953-54, member steering committee, Mortgage Council, Washington, D. C., 1954-55; national director, Mortgage Council, 1955; participant in real estate roundtable, Columbia University, 1953-54; member national legislative committee, Mortgage Bankers Association of America, 1954-55; chairman civic affairs committee, Real Estate Board of Newark 1955; trustee, Police Athletic League, Newark 1954-55; member National FHA Committee, Mortgage Bankers Association of America 1955-56 term.

The Summer firm services a mortgage portfolio in excess of \$61 million. Outstanding in its achievements is the financing of the 2,095-unit Ivy Hill Park Apartments in Newark, recently completed in the amount of \$17 million covering five 14-story buildings, the largest in New Jersey. Alexander Summer Mortgage Co. financed more than 50 percent of all postwar rental housing construction in Newark.

#### INSTITUTIONS FOR WHICH ALEXANDER SUMMER MORTGAGE CO. SERVICES MORTGAGES

The Bank for Savings in the city of New York  
 The Bowery Savings Bank, New York  
 Central Savings Bank in the city of New York  
 County Bank & Trust Co., Paterson, N. J.  
 East River Savings Bank, New York  
 Emigrant Industrial Savings Bank, New York  
 Franklin Savings Bank in the city of New York  
 Franklin Society Federal Savings & Loan Association, New York  
 The Greenwich Savings Bank, New York  
 Green Point Savings Bank, New York  
 Hudson Trust Co., Union City, N. J.  
 Hudson County National Bank, Jersey City, N. J.  
 The Manhattan Savings Bank, New York  
 North Side Savings Bank, New York  
 Palisades Trust Co., Palisades Park, N. J.  
 The Savings Banks Retirement System, New York  
 State Mutual Life Assurance Co. of Worcester, Mass.<sup>1</sup>  
 The State Insurance Fund, New York  
 Williamsburgh Savings Bank of Brooklyn, N. Y.

OCTOBER 3, 1955.

Mr. GILL. As you know, the act was signed by the President on August 2, 1954, although the revisions were made known in July. The sharp drop in applications coincided with the enactment of the new law.

<sup>1</sup> Denotes New Jersey Mortgage Loan Correspondent.

NOTE.—Serviced mortgage portfolio in excess of \$61 million.



A brief analysis of these figures will disclose that applications filed with FHA during the first half of 1954 averaged 6,747 dwelling units per month, which was even greater than the monthly average of 6,133 dwelling units filed in the calendar year 1953. When contrasted with the monthly average of only 711 dwelling units for the second half of 1954, and an almost similar monthly average of 788 dwelling units for the first half of 1955, there can be little doubt that the reason can be traced to the Housing Act of 1954.

There has been much speculation over the reasons for the lack of interest evidenced in the production of rental housing since the aforesaid changes in law took place. It is my considered opinion that the addition of section 227, builder's cost certification, as adopted, became the greatest single factor contributing to the decline of applications for mortgage insurance on rental housing projects, as shown hereinabove. A quick reference to the statistics covering the first 6 months of 1954, a period during which the amendments designed to improve conditions were not yet in force, would seem to confirm my contention. Please note that the decline on such applications was approximately 90 percent.

It is true that the recent investigation by the Capehart committee disclosed certain abuses which gave reason for tightening any loopholes which may have existed in the National Housing Act. I hasten to assure you that I deplore any abuses revealed by that committee, and agree that there should be no repetition permitted. However, I am also cognizant of the fact that section 608, on which the investigation centered, had expired long before the disclosures were made public and, furthermore, section 207 was, and is, an entirely different type of vehicle and, therefore, is not ordinarily susceptible to the practices exposed.

It is my belief that, in an effort to close the doors to windfalls, Congress adopted measures seemingly resulting in inequities which have removed the incentives necessary to encourage builders to create the needed rental units. On a purely hypothetical basis, let us presume that an experienced builder and a garment manufacturer—and I have nothing against garment manufacturers, gentlemen—both acquired contiguous parcels of land, identical in size, and had an architect design identical buildings for each, following which both filed with Federal Housing Administration for mortgage insurance pursuant to section 207. FHA, having found values of \$1 million on each, issued commitments to insure mortgages in the maximum allowable amounts of \$800,000 each. Following completion of the construction, Mr. Experienced Builder filed the required cost certification and, because of his ingenuity and know-how, was able to show that the entire costs were only \$900,000. At this point FHA would arbitrarily reduce his mortgage to \$720,000 because section 227 provides that no mortgage may be "in excess of such approved percentage of actual cost." Mr. Garment Manufacturer, on the other hand, who had used a building contractor to erect his project, was certainly able to certify his actual costs at \$1 million, as estimated by FHA, and, therefore, his mortgage remained undisturbed in the original amount of \$800,000. It seems to me that the experienced builder, upon whom we must depend for a sustained volume of construction, has been placed in a position less favorable than that of a novice.

Since sections 207 and 220 are both in the category of rental housing, to which subject I here confine myself, we might take a moment in which to explore the essential differences between them. Mortgage insurance under section 207 is predicated upon valuation theory and the ratio of loan to value may not exceed 80 percent. Section 220, under the Housing Act of 1954, originally provided for mortgage insurance not in excess of 90 percent of value, although the Housing amendments of 1955 changed the criterion to provide that the mortgage insurance shall be predicated upon replacement costs.

Otherwise, section 220 is quite similar to section 207 except that it is applicable only to properties in the area of a slum clearance and urban redevelopment project or in an urban renewal area as defined in the Housing Act as amended.

While not strictly in the field of rental housing, I believe it is important to mention the fact that the housing amendments of 1955 eliminated the cost certification requirements with regard to applications filed pursuant to section 221. This, together with the recent amendment to section 220 where the appraisal approach was changed from the value theory to reproduction cost, seems to reflect recognition of my contention that section 227 has had the effect of curtailing housing production.

The CHAIRMAN. Wait just a minute, section 227?

Mr. GILL. That is the cost certification provision.

The CHAIRMAN. Oh, yes; I didn't recognize the number.

Go ahead, Mr. Gill.

Mr. GILL. If the objective of Congress is to eliminate all possibility of windfalls, and I must confess this is a most delicate question to debate, it would seem logical that this could be very simply accomplished by modifying section 227 to provide, following cost certification, "that the actual cost equaled or exceeded the proceeds of the mortgage loan or the amount by which the proceeds of the mortgage loan exceeded the actual cost be paid forthwith to the mortgagee for application to the reduction of the principal obligation of such mortgage." As a matter of fact, there is a precedent established in this connection which was contained in title VIII of the National Housing Act, which had a similar requirement. This was in effect from July 1, 1953, with regard to title VIII, until it was superseded by the Housing Act of 1954.

Of perhaps equal importance, in a discussion of this kind, is the manner in which the act is administered. Congress writes the laws and the executive interprets them through the issuance of rules and regulations. It is my belief that the Federal Housing Commissioner and his staff are with some justification concerned over any possibility that abuses may recur and, in an effort to preclude such possibilities, have built multiple safeguards into the rules and regulations and field office instructions which have had the effect of further discouraging participation in the rental housing programs.

It has been said that the act is being nervously interpreted and, perhaps, Congress should spell out certain policies to be pursued.

For example, in section 207, where mortgage insurance is based upon economic soundness, and usually requires substantial equity money investment, a limited dividend feature, abandoned a few years ago, has

been revived. This is not a requirement of the act, nor is it even cited in the published rules and regulations which merely restrict the payment of dividends to earnings, but does now appear in the commitment at the time of issuance. This newly imposed condition limits regular dividends to 6 percent, with provision for added amounts 12 months later under certain conditions and with Commissioner's approval.

The Commissioner has prescribed a 7.25-percent formula by which ceilings on rents to be charged are established. This has the effect of preventing an owner from charging market rents and, also, very often depresses the amount of mortgage insurance which would otherwise be available in amounts more closely approaching statutory provisions if there were greater net income available for capitalization purposes in the valuation approach. It seems paradoxical that the Commissioner, who becomes the holder of the preferred stock in the mortgagor corporation, should actually take steps to hold down income.

I strongly urge that competitive rents be allowed as established by market. Even under the emergency, Congress specifically exempted properties constructed after February 1, 1947, from Federal rent control in recognition of the fact controls impeded construction of rental housing.

Underwriting procedure prescribed by FHA headquarters leaves very little latitude for the field office staffs to exercise considered judgment based upon experience in their own areas of operations. Appraisals are based more upon the manual than on the basis of individual judgment. Conditions nationally are so diverse that no manual could do justice to the job. A manual should be a guide only.

I make particular reference to such items as an enforced 7-percent vacancy factor, 50-year maximum economic life of apartment buildings, suggested capitalization rates for appraisal purposes, and even cost factors, which often are obsolete by the time they are published and delivered.

In view of the multiple safeguards employed, including reserve for replacement funds, deposited in cash monthly, stringent location and property requirements, and amortization provisions, it would appear that mortgage terms could be safely increased to 50 years on sections 207 and 220. Vacancy allowances, within the judgment of underwriters, could be lowered to 5 percent. Redtape could and certainly should be reduced to a minimum to avoid costly delays and expense of administration.

Economist Miles L. Colean treated this general subject with great candor in his article entitled "Impotency of FHA Policies on Apartment Finance," published in the June 1955 issue of *Architectural Forum*. I am sure that most, and perhaps all of you gentlemen, have read the article.

I should like at this time to tell you how my home city of Newark, with a population slightly under one-half million, has fared in the current so-called construction boom. Newark, as you may know, is almost completely developed and must meet its housing requirements through the erection of apartment buildings. We have not kept pace with demand and our needs may more readily be determined by a review of our postwar record of construction starts of 1- and 2-family

dwelling units, contrasted with multifamily buildings, expressed in family dwelling units, including public housing, as follows:

Year	1-family	2-family	Multifamily	Total, family	Demolished
1945	9	2	12	23	157
1946	17	26	42	85	160
1947	25	16	200	241	71
1948	17	28	355	400	114
1949	36	14	745	795	232
1950	46	66	181	293	281
1951	54	18	2,628	2,700	300
1952	49	42	2,719	2,810	184
1953	36	28	13	77	282
1954	23	26	1,573	1,622	374
1955 (8 months)	20	26	21	67	182
Total	332	292	8,489	9,113	2,337
Less, public housing			4,374	4,374	
Private starts	332	282	4,115	4,739	

Of special significance is the fact that, during this postwar period, a total of 2,337 dwelling units were eliminated from our housing inventory through demolition. You will note that in the years 1945, 1946, 1953, and for the first 8 months of 1955, the rate of demolition actually exceeded new construction. These statistics show that our net gain in housing over a 10½-year period has been only 6,776 dwelling units, of which 4,374 were public housing.

I believe that Newark is typical of the average large city in America. In fact, considering its location, with its modern airport and excellent seaport, its diversification of industry and commerce, its educational and cultural centers and its proximity to New York City, should establish it as a superior community in which to work and live. Yet we have not provided the dwelling units necessary to maintain the housing standards expected in a city such as ours. Our average family income in Newark is \$6,500, according to the last published figures, and more and more families, desirous of remaining, are forced to move into the suburbs to find suitable modern dwelling accommodations.

The National Housing Act gives the FHA Commissioner the power to increase the statutory mortgage insurance amounts by \$1,000 per room under section 220 "where he finds that cost levels so require." I have been informed that he recently designated New York City as a high-cost area, which will, of course, make section 220 a much more workable vehicle there. I believe the Commissioner should also now declare Newark and other cities in New Jersey as high-cost areas to give us the required assistance to proceed with our slum-clearance and urban-redevelopment plans.

I would also strongly urge that the National Housing Act be further amended to authorize the FHA Commissioner to make high-cost area designations and the resulting higher mortgage insurance limits applicable to section 207.

While not a part of the housing legislation under discussion, I would, nevertheless, like to recommend to you that added incentive be given real-estate brokers, dealers, and builders through removal of the existing inequities in the Internal Revenue Act, which prevent them from availing themselves of capital-gains treatment on the sales

of income producing real property. There is a precedent for such a relief, since security dealers are permitted to report gains resulting from sales of personal investments on a capital gains basis.

Thank you.

The CHAIRMAN. Mr. Gill, I had many questions to ask you which the staff typed up for me, and you answered every one of them before you finished.

Mr. GILL. It looks like collusion.

The CHAIRMAN. It was your assumption there that it might still be worth its mortgage in 50 years.

Mr. GILL. In fact, it increases as the years go by.

May I at that point interject a thought which occurred to me when I believe Mr. McMurray mentioned internal revenue, and I hope I won't be presumptuous in saying this. I think Congressman Gamble and Mr. McMurray both meant to say depreciation rather than amortization.

Mr. GAMBLE. Yes.

Mr. GILL. I was glad that you did. I knew what you meant, or thought I did, anyway, because that raises a very serious question under internal revenue and tax depreciation, and that is that amortization which you said is considered as income for tax purposes, and as that amortization increases it offsets the depreciation, and the first thing you know they are in trouble.

Now, a lot of these rental housing jobs will soon be in difficulty because of that circumstance.

The CHAIRMAN. I know about some of those now.

Mr. GILL. I would add as a further comment, which might be taken as a recommendation, not exactly a recommendation, but I suggest that you increase the amortization to a 50-year term, for by the very fact of the internal revenue a builder can refinance and get away from FHA and avoid the tax pitfalls.

The CHAIRMAN. They are doing that in a great many instances where they can get conventional money.

Mr. GILL. Even in that connection I daresay in the 608 program, I say very humbly and respectfully, and hope we don't get into too much of a discussion about background, but with regard to the 608 program—and I mention it only because the bulk of the production in housing to date has been under it—if we did not have the rent ceilings established by FHA so that they could get so-called market rents, a tremendous number of those 608's would have been refinanced by now and would be refinanced tomorrow, but they can't achieve the economic rents by depresses in the valuation, the economic valuation, to a point where the lender cannot see it conventionally.

I have intimate knowledge of a large number of cases that, could they charge economic rents—and nobody would be hurt—could immediately find a different value and get a conventional loan that would at least equal the unpaid balance of the FHA loan.

The CHAIRMAN. What about the tenants who are in it? Under the present setup, would they be able within the price range of what you call the economic rent?

Mr. GILL. I think so. First of all, in the average 608 the rents are not high. The incomes are. I would like to make this observa-

tion: The great American public sets the rent market anyway. A builder would soon find out if he were overcharging. I know of no instances of overcharging a rent in our community.

The CHAIRMAN. Well, that may be true, but where you have the shortages, such as the \$75 job we go back to, I don't see how the public sets that. The shortage sets that.

Mr. GILL. I knew I would walk into that, and I don't fear it in the least.

New York City is a metropolis that seems to be entirely by itself; God bless it. I don't think there are any other communities exactly like it, and I love it, but I don't think that New York City is a proper criterion for the rest of the country.

Let me make this observation: Under the FHA formula of increasing all of the other things that go into it, the rent increases have been allowed because the manual so provides. The great American public wouldn't buy them at that figure, and 20- and 30-percent vacancies immediately resulted, and I think our market is in such a condition that you cannot gouge on rents in Jersey.

The CHAIRMAN. Of course, I don't want to go into that at long length, except to say when I see that chart there of only 6,000 housing gains in 10 years I don't see where you people have much play.

Mr. GILL. They move to the suburbs.

The CHAIRMAN. I missed your point.

Mr. GILL. It changed the political complexion of our suburbs, I might add.

Mr. ADDONIZIO. Much to my advantage.

Mr. GILL. Well, the political analysts seem to feel that is changing the suburbs, and I guess you are aware of that.

Mr. McDONOUGH. What about your county building, do you have a county building department that summarizes these?

Mr. GILL. I don't happen to have those, because I was going to use Newark as the example, and I think Newark perhaps is typical of Trenton, or Camden, which is south Jersey; Paterson, Passaic, real cities as opposed to suburban communities, which are essentially single-family communities.

Newark has no future with any thing other than apartment dwellings. That is my considered opinion. Land costs are high, obviously, and there is absolutely no room for expansion.

The plain fact of the matter is, as your chart will show, thus far in 8 months of 1955, with a much improved National Housing Act, where until recently they could have gone in with practically peanuts as a downpayment, you only had 20 single-family houses built.

Mr. McDONOUGH. In Newark?

Mr. GILL. In Newark, and twenty-six 2-family houses. This is the total production of houses I give you, and your total production in 1955, including 67 which were multifamily, is only 67 units. We had 182 demolished.

I think these figures speak much more eloquently than I could. The record is clear. This high-cost area designation is one thing that would help us. I think you can't hold that back. If the record and investigation show that we need some aid in addition to the ordinary provisions of the Housing Act, and the aid is within reach, I don't see why it should be held back.

If we prove by the record that we need it now, the only way that a man is going to come in with the plans and the expensive specifications and things you heard Mr. Axelrod and others talk about, he is not going to invest that money with the vague hope that maybe someday when he is ready to commit suicide over his expenses without production, the great white father will say, "We will give you a high-cost area designation." He knows now it is a high-cost area.

Mr. McDONOUGH. There is no urban-redevelopment program.

Mr. GILL. We have beautiful ones planned.

Mr. McDONOUGH. But none you have commitments on.

Mr. GILL. They are almost ready for that stage, and I fear very greatly, unless the high-cost area designation which is supposedly available, isn't made known to be available—and that is the important part, not after bids are sought, but before, the United States Government will get less of a write-down too if the land proves to be more salable than without it. I don't know. There is a lot of talk. Rumor would have it that every builder and his brother-in-law is going to come in and bid on that land in Newark, but when he gets into the economics and finds out costs are just as high in Newark as New York; in fact some people say they are higher—construction costs—if that be true, the economics will militate against the program. Builders aren't fools at all. I think you know that.

The CHAIRMAN. We know that.

Mr. GAMBLE. I am glad you approve of that high-cost area amendment in the bill, because that was my amendment.

Mr. GILL. Congratulations, sir.

Mr. McDONOUGH. He wants it applied, administered, however, as far as Newark is concerned.

Mr. GAMBLE. It can be.

Mr. GILL. I think it should be done sooner rather than later.

Mr. McDONOUGH. These are land costs you are talking about?

Mr. GILL. No; the high-cost area declaration on the part of the Commissioner enables him to lift by \$1,000 a room your statutory maximum.

Mr. McDONOUGH. This includes the labor cost and material cost.

Mr. GILL. Well, costs, period.

Incidentally, we don't have the leasehold gimmick in Jersey that you people have had so prolifically used in New York. I believe there are only two instances of a leasehold in New Jersey, and they were where the land was actually the finest available for the purpose, but absolutely not for sale. It was owned by a charitable foundation, and they wanted it for income. I happened to have had one of them, and I know whereof I speak.

But by and large, land in New Jersey is available in abundance at a price, in sufficient abundance to provide housing but at a price, and the price is relatively high in proportion of the limits here.

Mr. GAMBLE. That high-cost was for cities and metropolitan areas. It applies in Westchester where I live, and you are in the metropolitan area.

Mr. GILL. Has it been declared in Westchester?

Mr. GAMBLE. I think.

Mr. McDONOUGH. Can't you prove it by your materials and wage rate costs?

Mr. GILL. It can be determined readily.

Mr. GAMBLE. If it is for metropolitan areas, Newark would be entitled to it the same as any other city.

Mr. GILL. If the Commissioner wishes to declare it, but he has not done it.

May I say one more thing in connection with these figures before we leave them, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. GILL. This total of 8,000 units built in the 10-year period, there were a few luxury jobs in there too.

Mr. ADDONIZIO. Before Mr. Gill leaves, I would just like to record to show that I think he has made a very fine statement. I think he has given us some good recommendations, and I seriously hope that the committee will take them under consideration.

The CHAIRMAN. Well, I will second that motion. It is a very good statement, Mr. Gill, and the recommendations you make concerning changes in the law, I assure you this committee will seriously study, and of course we will do all of the urging we can to assist you with the other matter, but that is an administrative matter.

Thank you for taking your time to come to testify, and we wish we had time to question at length, but we have other witnesses.

Thank you very much.

The next witness, gentlemen, and the last witness for today, is Mr. Mitchell Siegel. He is going to discuss rental housing under FHA's 207 program.

#### STATEMENT OF MITCHELL SIEGEL, ATTORNEY, BROOKLYN, N. Y.

Mr. SIEGEL. Which Mr. Gill very adequately almost disposed of in addition to Mr. McMurray. At any rate, gentlemen, I am confining myself to the act itself and 1 or 2 sections under the act which we believe act as deterrents to builders going into the 207 program, which we refer to as the middle-income program, so to speak.

Mr. ADDONIZIO. Will Mr. Siegel identify himself for the record?

The CHAIRMAN. Yes; I was about to do that.

Mr. Siegel?

Mr. SIEGEL. I am an attorney at law.

The CHAIRMAN. Where do you live?

Mr. SIEGEL. 2601 Glenwood Road, Brooklyn.

The CHAIRMAN. Aren't you in the home-building business?

Mr. SIEGEL. No, sir; I am an attorney representing people in this business, and I have had considerable to do with this 207 program, both in Washington and New York. As a matter of fact, I think we signed off one of the first ones in the country under the new section 207. That happened about 3 or 4 months ago.

In passing, I may say we went through the same trials and tribulations Mr. Axelrod went through, and we feel as he does, that having served as a pilot program, we have ironed out the major obstacles. We expect to see things happening very quickly in this program. That is why I am confronting myself to the act.

I may also say in passing that I think you gentlemen better than anybody else know that when you have a changeover, you have to expect some delay.

We had a lot of high officials coming into the program; everybody was reacquainted with the problem; the new statute had to be inter-



preted; it took a long time until this thing solidified and Washington understood our problem. We think we have arrived at that problem because I know one of the biggest obstacles has been overcome in the past week, and that is the financial program.

We were faced at on time of having put everything in as paid in stock. No sane builder is going to put on a million-dollar project \$200,000 in capital stock fixed so he can't get it out.

I am happy to say the first step has been overcome in that. They have realized the problem and we are making progress. Therefore I am confining myself to the act.

We think the two major obstacles to the builder going into the 207 program are, one, the present mortgage limitation.

Now, under section 207, the 1954 act and the 1955 act are the same as the 1953 act. We have a maximum of \$5,700 a room.

For elevator types of construction we now have \$2,400 a room or \$7,500 maximum.

Contrast that with section 220. 220 has \$2,250 for a room against \$8,100 for an apartment, as against our \$7,200.

And where it is elevator construction, it is \$2,700 as opposed to \$2,400, and \$8,400 as opposed to \$7,500.

Now, the same thing applies in a lesser scale to the 213. In no case is the disparity less than \$300 per room on elevator-type construction, and we may as well restrict ourselves to elevator-type construction here in New York.

The CHAIRMAN. That is the limitation in the act you are talking about?

Mr. SIEGEL. In the act.

Now, in addition to that, Congress saw fit in its justice to declare in high-cost areas an additional \$1,000 a room under 220.

Now, I think factually, and you gentlemen can determine that, we are up against a ceiling now. Even in calculating 207's not under replacement cost, which you are allowed to do under 213 and 220 today, but under estimated value which generally is much lower.

Now, we believe firmly that if a realistic approach were taken to 220 and the same high-cost provision were inserted in the act as far as the 207's are concerned, this program could work insofar as cost, bearing in mind—

The CHAIRMAN. Is there any reason that you know of why it shouldn't be the same in 207 as in 220?

Mr. SIEGEL. Mr. Chairman, inquiry in Washington simply revealed that nobody came down there to talk for 207. I think that was in the nature of the general confusion at the time that resulted from this 208 situation. The average builder was interested in one thing: If we had any program, to go ahead with, he was going to do it under a conventional program. The mortgage market was all right, and I think as a matter of practice in New York in the last 2 years any good builder who contemplated a 207, bought land which could be either conventional or 207. He was competing with conventional buildings all of the way through.

Now, there is no question that I believe in this area the type of construction under 220, 213, and all of the provisions are the same. We try to give better than average room size because the builder realizes he is in a competitive market. Your average builder today is an in-

vesting builder. I think 207, as I said before, was simply disregarded because nobody went down there and nobody was interested in it.

As a matter of fact, one of the questions we asked the officials in Washington about 207 was, "Do you really want this program to work? Tell us. If you want it to work, we will try it. If you don't want it to work, we will withdraw from the field. We can build conventional." And the answer has been "absolutely," ever since we have asked that question; they want the program to work.

Now, I think the fact that we have had some of these regulations changed, a great many are in the process of being changed, they know the problem. I think it can work, but we need supplemental action on the part of Congress.

No. 1 would be this mortgage limitation.

Now, the second big factor that acts as a deterrent—

The CHAIRMAN. Put into the record your recommendation as to the amount of the increase.

Mr. SIEGEL. We recommend that the section 207 program have the same limitation as section 220, to wit, in elevator-type construction, \$2,700 a room or a maximum of \$8,400 per room, if less than four rooms average, or \$8,400 per unit, I should say, and that the \$1,000 per room extra be allowed for 207 for higher cost.

You are adequately protected by the certification. Congress forgot in providing for certification it closed this loophole.

The CHAIRMAN. You say you think Congress forgot they did that?

Mr. SIEGEL. Yes. I think they went too far in trying to prevent bailouts; I think they may have gone too far.

The CHAIRMAN. Do you think the replacement cost is the plug that stops 207?

Mr. SIEGEL. Not at this point because we are up against the top now. Replacement costs wouldn't help us.

Mr. GAMBLE. If you wanted 207, why didn't you come down and say so?

Mr. SIEGEL. I am only a lawyer, not a builder. I tried to explain that a lot of the builders wanted to have nothing to do with the program at that time.

Mr. GAMBLE. But the Banking and Currency Committee wants to get facts.

Mr. SIEGEL. I will say that I did submit to some of the members of the Banking and Currency Committee a lot of the details on these things.

Mr. GAMBLE. You submitted it to the wrong body.

Mr. SIEGEL. I may have been wrong at that time. I shan't be from this time on.

The CHAIRMAN. Go ahead, Mr. Siegel.

Mr. SIEGEL. With respect to certification—well, let me get back again to this question of the limitation. There is no question we are in a high-land area, and I want to take issue with this so-called gimmick of leaseholds in this area.

In a high-cost area like this, you must realize in taking the maximum mortgage amount, our land is taken into consideration. We don't have 25 cents a square foot and 50 cents a square-foot land here in New York.

We are up against pretty high prices. The outlying areas are pretty far gone. We must get within subway distance. We must be

near schools, near churches, near shopping. The FHA must find the site economically suitable. So we are up against a real problem, and the only solution up to this point and the only solution may be to allow the leasehold. It will give the builder an opportunity to put more in his building. A leasehold is no gimmick in New York, it is a necessity, if the mortgage ceiling limits are not high enough. If we get the thousand dollars extra for high-cost area, we may be able to carry on without leasehold. As the act presently stands, a leasehold is impracticable, because the land must be taken into consideration in the 80 percent.

Now section 207 does not have replacement costs. It has the estimated value costs. That should be changed in the new act, as well, because we will need the estimated costs if you give us a new higher limitation. It serves no purpose today because, as I say, commitments will come out practically at the maximum mortgage allowance anyhow, so whether they use actual cost, replacement value, or any other criteria, it doesn't make too much difference today.

The CHAIRMAN. Now you get me confused. Do you say 207 operate on estimated cost or replacement value?

Mr. SIEGEL. 207 is estimated value. 220 is replacement cost.

Mr. GAMBLE. Well, we are looking at 220 and 221, I suppose.

Mr. SIEGEL. 220 and 213.

Mr. GAMBLE. Did they change it on 213?

Mr. SIEGEL. Yes; 213 has the replacement costs.

The CHAIRMAN. But not 207.

Mr. SIEGEL. That is right. Now with respect to the cost certification, when cost certification first came out, the average reaction of the builder was: Am I going to go through that thing again? Of course, he read and saw what was going on and he felt rather than get involved with the Government and something that may take place 4 or 5 years from now, either some congressional body or some other investigator, there is no sense my getting involved in it.

The theory or thought is that if replacement cost had some type of cutoff date as to liability—I think we must all agree that there must be some sort of a certification—but the way it works today, your certification must be filed when you get your prefinal payment, which is about 30 days before you finally get your final payment on the mortgage. At that time we feel the cost certification affidavit should be gone over thoroughly. Any complaints or any changes that should be made should be made then, but between that time and when the builder finalizes his job, some determination should be made so the builder knows he is finished and done.

He feels unless that is done, he feels that he has a Damocles' sword over his head.

The CHAIRMAN. Well, that is true as to renegotiation too.

Mr. SIEGEL. But you put a limitation on that.

The CHAIRMAN. But it was a long time.

Mr. SIEGEL. I don't think it was more than 2 years, though.

The CHAIRMAN. Would 2 years be fair here?

Mr. SIEGEL. I can't say. Two years is a long time, but some fair cutoff date should be placed.

The second part of the cost certification program that is objectionable is this: Under cost certification, bear in mind we have an 80 percent program. Theoretically we must put in 20 percent, less our

builder's fee and our expenses. Now, if I compete, or if a good builder competes with an incompetent builder, as was pointed out here before, the mortgage is reduced. There is no incentive to the good builder to reduce that mortgage. He might just as well put it right back into the building and have something that will last him longer and get a better rental in better times or if he faces bad times be sure he has a good competitive building. Then we face another incipient danger: We don't know—will the rentals be reduced on that basis?

In other words, if our  $7\frac{1}{4}$  percent return is supposed to be measured on the value of the building or cost of the building, if I built it at a lesser figure, you may reduce my rentals. I don't know whether that is going to be interpreted that way or not, sir, but it very well may be. Now my notes also refer back to the old Wherry Act. In the old Wherry Act, we had the situation where just the over and above proceeds were applied in reduction of the mortgage. That put the builder in the position where theoretically he could, if he were a competent builder, build out but never have any money to pocket, but whatever the savings were, reduced the mortgage alone.

The CHAIRMAN. That was the 1953 act.

Mr. SIEGEL. That was the Wherry 1953 Act, yes, or as Mr. McMurray pointed out, I think even the old State act gave the builder a percentage of the savings, or you might consider an additional builder's fee, but there should be some incentive in this building on cost certification.

I think those are the two major problems in the act, as it stands today.

The CHAIRMAN. You think if 207 then was brushed up and some of these bugs taken out, that a program could really move forward under 207?

Mr. SIEGEL. Mr. Chairman, I think we do better with 207 in New York City than you can do with a 220 program. You have seen a lot of these things on the East Side and on the West Side. You can't do the whole job under 220. It is too great, too large, but you can get a builder to go in and build a 10-story job in the east 70's or west 70's. The trouble is there, while the buildings are unsound and the rentals are very low—I don't mean the places you saw—no electricity, no hot water in some of these cases, railroad flats, the land is very high.

Now I think the average good competent builder here in New York could do a terrific job in removing these slum or near-slum, or about-to-be-slum areas, if you gave him the incentive under the additional program, allowed him to use the leasehold where practical, and let the local offices decide, they will know that, and still retain some element of fair cost certification so that you prevent the evils.

The CHAIRMAN. Well, you are a very convincing talker, Mr. Siegel. What you should do next year, when the Banking and Currency Committee starts its hearing on housing, along about March, is not sit up here in New York, but come down and see what can be done.

I appreciate your suggestions very much.

Any questions?

Mr. ASHLEY. No questions.

The CHAIRMAN. Any questions?

All right, thank you very much for appearing.

The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 4:30 p. m., the committee adjourned to 10 a. m., Thursday, October 6, 1955.)

(The following statement was submitted to the subcommittee:)

Memorandum of the Development Builders of New York Inc., to the Subcommittee on Housing of the Banking and Currency Committee of the House of Representatives.

Subject: Current problems of privately financed redevelopment of slum clearance and urban renewal areas.

The Development Builders of New York, Inc., is a membership corporation composed of private building organizations undertaking the privately financed redevelopment of slum-clearance areas under the New York City slum-clearance program directed by Commissioner Robert Moses.

The members of our corporation are owners and redevelopers of five of the slum clearance sites acquired by the city of New York, with financial assistance from the Federal Government under title I of the Housing Act of 1949, as amended. These five projects are North Harlem, Harlem, West Park, and New York University-Bellevue in Manhattan, and the housing portion of the Pratt Institute in Brooklyn.

Our members purchased these sites from the city of New York at public auction, pursuant to contracts with the city (which were also approved by the Housing and Home Finance Agency) requiring the construction of over 9,000 new dwelling units in fireproof elevator apartment buildings, in addition to recreation areas, ample off-street parking, and supporting commercial facilities. The completion of this construction program, in addition to providing a large volume of urgently needed middle-income rental housing in central locations, would involve a total new investment of over \$100 million entirely in private funds. These projects will pay full real-estate taxes and will return to the city more than three times the taxes collected from the previous slum properties.

The North Harlem, Harlem, and West Park sites were purchased from the city in the summer of 1952; and the Pratt Institute and New York University-Bellevue sites were purchased in 1954. Through their relocation and demolition operations, our members as a group have presently available over \$1 million square feet of vacant land ready for the start of construction.

In view of your subcommittee's intensive study of problems in slum clearance and urban renewal, we would like to submit our views on these matters, on the basis of our experience in this pioneering and challenging field and our opinions as to the conditions necessary for the widespread private enterprise participation needed for the success of the program.

Accordingly, this memorandum is addressed primarily to five prerequisites for effective privately financed redevelopment of slum-clearance areas:

(1) Workable FHA mortgage insurance commitments under section 220 of the National Housing Act.

(2) Adequate recognition in FHA section 220 regulations of the profit motive in privately financed redevelopment projects.

(3) Revision in FHA controls over section 220 corporations which will recognize the realities of private real-estate investment while maintaining necessary FHA supervision.

(4) Debt service terms under section 220 which will permit minimum rents commensurate with cost of construction.

(5) Improvement in operating procedures to lessen the time consuming and costly delays which have characterized the section 220 program to date.

*Workable FHA mortgage commitments under section 220*

We are hopeful that the amendment to section 220 recently adopted by Congress basing the mortgage on new multifamily rental projects on 90 percent of the actual cost of such projects rather than on 90 percent of the FHA's valuation will correct the basic problems which have typically prevented the securing of workable mortgage commitments. We are in full agreement with the views expressed by the House Banking and Currency Committee in its report on the housing amendments of 1955 that a mortgage representing 90 percent of actual costs is essential for effective private enterprise participation in redevelopment housing projects. Under the previous valuation approach to section 220, the FHA had difficulty in arriving at valuations approximating their own estimates of replacement costs. This presented a problem which would have generally forestalled all privately financed rebuilding of slums and blighted areas under

the section 220 program. With the new amendment now in force, we believe that one of the essential ingredients for large-scale private enterprise participation in urban renewal has been established.

*Adequate recognition by FHA regulations of the profit motive in privately financed redevelopment projects*

In the private-housing industry as in all other segments of our private-enterprise economy, opportunities for the earning of reasonable profits must exist if there is to be inducement for large-volume activity. This is particularly true in such a new and relatively untested field as the redevelopment of slums and blighted areas. In our opinion, the present policies of the FHA with regard to builder's profit on rental-housing projects are too restrictive to induce the large-scale private-enterprise participation which is contemplated by the urban renewal program.

When Congress established the cost-certification requirement for multifamily projects in the Housing Act of 1954, it specifically recognized a reasonable allowance for builder's profit as part of the actual cost of the project in cases where the mortgagor is also the builder or has an identity of interest with the builder. In these cases of builder-sponsored projects, which clearly are the principal resource for activity under the section 220 program, the statute also authorized the capitalization of this allowance for builder's profit as part of the required equity in the project. In interpreting the provision for a reasonable allowance for builder's profit, the report of the Senate Banking and Currency Committee on the Housing Act of 1954 stated: "As a guide to the Commissioner in establishing this allowance, your committee wishes to express the view that this amount should not exceed 10 percent of the other costs of the job."

However, the FHA's regulations have interpreted this provision for builder's profit strictly in terms of a builder's fee customarily paid on construction contracts secured by general contractors on a competitive basis. In our opinion, this confuses the role of the general contractor bidding on a construction contract based on prepared plans and specifications and involving no further financial participation or risk with the role of the builder-sponsor of a rental-housing development who assumes the responsibilities and risks of planning and initiating the project and who enters into the undertaking in anticipation of an equity interest in the completed project rather than the earning of a cash fee. Furthermore, the FHA regulations limit the builder's fee to a percentage of the construction cost, exclusive of the cost of land, architect's fees, and carrying charges which are equally elements of the actual costs of a project.

In addition, the FHA's initial regulations had the effect of limiting the "builder's fee" on large projects to 5 percent of construction costs. After allowance for the cost of land and other out-of-pocket expenses, this would mean a builder's profit of only about 3 percent on the total costs of the job. We submit that this would be far below the margin of profit customarily earned in the construction industry and in other durable goods industries.

The net effect of these regulations is, first, to restrict seriously the profit motivation for private enterprise participation in the urban renewal program and, second, to increase substantially the requirements for cash equity investment in section 220 projects. In the case of large projects, capitalization of builder's profit on this basis would provide less than one-third of the required equity in a section 220 project, with the result that cash investors would have to be found for more than two-thirds of the equity.

If the section 220 program is to be workable on a large scale, we believe there must be realistic recognition of the difficulties and limitations involved in attracting substantial cash equity investment into these projects, junior to a high percentage mortgage debt. These result from the fact that the owners of such equity investments must accept a ceiling on their earnings through FHA-controlled rents—if the project is successful—but that their entire investment may be wiped out if rental income declined as little as 15 percent from anticipated levels, resulting in the foreclosure of the mortgage and the transfer of the property to FHA.

We recommend to your subcommittee that an allowance for builder's profit of 10 percent of other costs be recognized on section 220 projects. Since such an allowance would cover the bulk of the equity requirements, it would offer an incentive to responsible builders to develop an equity position in the operation of these projects through investment of a reasonable profit allowance.

*Revision in FHA controls over section 220 corporations*

In our opinion, the controls exercised by FHA over the financial management of rental housing corporations through its required articles of incorporation are unduly restrictive and discouraging to private enterprise participation in the section 220 program.

We are fully in accord with the principle that the FHA should have adequate authority over the rent levels, methods of operation, and proper maintenance of rental housing projects financed by FHA-insured mortgages. On the other hand, if a corporation has conformed with these regulations to the satisfaction of FHA and has met all of its fixed charges and required reserves for replacements, it would appear entirely consistent with the private enterprise nature of the undertaking that its remaining earnings should be at the disposal of the owners of the corporation, without further restriction by FHA. However, this is not the case under FHA's required articles of incorporation for rental housing projects.

The present restrictions on the use of project earnings are particularly onerous with respect to the retirement of cash investment. Under its present articles of incorporation, the FHA permits the retirement out of project earnings only of the cash funds advanced to provide working capital or to cover the difference between construction costs and the proceeds of insured mortgage. Equity cash investment represented in the cost of land cannot be retired under the present regulations as long as the insured mortgage is in force.

This provision is particularly onerous and restrictive in high land cost areas such as New York City, which has been officially declared by FHA to be a high-cost area under the special mortgage provision for such areas authorized by Congress in section 220. Because of the high land values in New York City and the low land coverage required by the official redevelopment plans, land costs in our projects will substantially exceed 10 percent of total project development costs.

The present FHA policy, by freezing cash equity investments in land for the life of the FHA insured mortgage, has the effect of penalizing fee ownership of land by redevelopment corporations as against financing the required land investment through a leasehold. While we believe that the use of leaseholds may be advantageous to the program under certain circumstances, we also believe that redevelopment corporations should have freedom of choice in such matters, based on the economics and facts of each case, rather than be faced by an arbitrary distinction between the liquidity of cash equity investments for construction and working capital, and cash equity investments for purchase of land.

*Debt service terms under section 220*

In the interests of achieving the minimum rent levels for section 220 projects commensurate with the cost of fireproof construction and a reasonable return on investment, we recommend that the FHA agree to 40-year level annuity mortgages for rental housing projects under section 220. This is the type of mortgage which has been accepted by FHA for a number of years on section 213 cooperative housing projects and results in substantially lower initial debt service, with a consequent reduction in the rent levels required to support a project.

The use of the 40-year level annuity mortgage would result in a 16 percent reduction in the initial annual debt service on which project rent ceilings must be based. In the case of a project financed with mortgages averaging \$10,000 per apartment, the reduction in debt service from the FHA's standard formula for rental housing projects would be \$116 per year per apartment or approximately \$10 per apartment per month.

We believe that the accomplishment of this substantial reduction in required rent levels would be of substantial benefit to the urban renewal program. From our contacts with mortgage lending institutions, we find that these institutions are fully prepared to make section 220 mortgages on a 40-year level annuity basis if the FHA will agree.

*Improvement in FHA procedures under section 220*

We believe it is self-evident that ways and means must be found to expedite the issuance of mortgage commitments under section 220 if the program is to be an effective vehicle for private building in urban renewal areas.

In the case of our members, the initial applications for four projects were filed with the FHA in mid-November 1954, shortly after the issuance of the section 220 regulations. As of this date, with the exception of the North Harlem project on which a commitment was issued today, we are still awaiting the issuance of FHA mortgage commitments on our projects.

In making this statement, we do not mean to be critical of FHA personnel, and we recognize the difficulties involved in launching a new program as well as the uncertainties created among FHA personnel by last year's investigations. Nevertheless, we are confident that through the studies and recommendations of your subcommittee as well as through the efforts of FHA, and with the cooperation of the private sponsors, ways and means can be found to eliminate the time-consuming and costly delays which have been encountered under section 220 thus far. Furthermore, in the case of our members, during the long period in which we have been awaiting FHA mortgage commitments, there have been increases in construction cost levels which will necessarily increase the ultimate cost of our projects and will require higher rents than if we had been able to expedite the start of construction at more favorable price levels.

We are submitting these suggestions in the hope that they will be helpful to your subcommittee in its efforts to find solutions for the current problems of the urban renewal program. We are firmly convinced that the rebuilding of slums and blighted areas is one of the vital tasks confronting our Nation and one which should benefit from the full support and participation by private enterprise.



# INVESTIGATION OF HOUSING, 1955

THURSDAY, OCTOBER 6, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*New York City, N. Y.*

The subcommittee met at 10 a. m., Hon. Albert Rains, chairman, presiding.

Present: Chairman Rains and Messrs. Addonizio, Barrett, O'Hara, Ashley, Gamble, McDonough, and Widnall.

The CHAIRMAN. The committee will be in order.

We have five witnesses scheduled for today, and I know that members of the committee will cooperate with the chairman today so we can get through on schedule. We had a long and rough day yesterday.

The first witness isn't here now. We expect him any minute. Is Mr. Scully here?

We will have to start along, Mr. Scully. Come around.

Gentlemen of the committee, this is Mr. John J. Scully, vice president of the Chase Manhattan Bank, and he is going to talk to us about a subject which I assume is quite technical, mortgage warehousing.

So, Mr. Scully, you can proceed in any way that you desire.

Mr. SCULLY. Very well, gentlemen.

## STATEMENT OF JOHN J. SCULLY, VICE PRESIDENT, THE CHASE MANHATTAN BANK

Mr. SCULLY. Gentlemen, it is my understanding that one of the purposes of the hearings now being conducted by the Subcommittee on Housing of the Committee on Banking and Currency of the House of Representatives, is to accumulate as much information as possible from many different sources on the methods, functions, purposes, objectives, and terms of collateral loans made against the security of mortgages on individual residential properties. The many different types of such loans have, through common usage and custom in the trade, been generally classified and referred to as warehousing loans.

I believe at this time it would be an excellent idea to adopt a more descriptive terminology for these loans, and I suggest that from here on out we refer to them as mortgage inventory loans. The basis of this suggestion is because it is common practice in banking circles to refer to loans as inventory loans, those which are made against bond and other security issues which are being underwritten and prepared for orderly distribution to the public and to financial investment institutions who will become the permanent investors in such securities to carry this inventory for different periods of time for the originators

and underwriters on margin, all of which are referred to as inventory loans. Mortgage inventory loans serve exactly the same purpose in connection with origination, sale, and distribution of mortgage investments to the permanent investor.

There are several different types of such mortgage inventory loans. The original type was probably what has been called committed lines. They arose out of a situation where a financial institution has given a mortgage originator a definite commitment to purchase at a future date a determined dollar amount of mortgages. There are many factors and conditions which have to be met in the interval before the transaction under the commitment is completed. It is necessary for the mortgage originator in the first instance to close the mortgage loan and have the credit of the owner of the property approved by the permanent investor. The documents securing the loan, such as the mortgage or deed of trust, have to be recorded. There will be a period of time elapse between the actual delivery of that document to the recording office and the time that it is returned by it to the mortgage originator.

The title policy or counsel's opinion as to the validity of the title also required a lapse of some time before that is ready to put in the package. The VA guaranty or the FHA insurance usually requires longer intervals of time before that has been completed and returned to the mortgage originator. The fire insurance policies and many other documents also require some time to be put in final form. All these many necessary elements have to be completed and a package made up containing all these documents in final form to be shipped with several others to the permanent investor. This all may take, depending upon the activity in the particular area, from a month to 5 or 6 months to complete. The documents are then forwarded to the investor, examined by their counsel, and if found in order payment for the mortgage is then made under the original commitment.

I think it is common knowledge to anyone in the mortgage business that a great many of the mortgage originating companies do not have funds that they can tie up for several months in carrying these mortgages until the package is ready for delivery to and purchase by the ultimate investor; therefore, the original committed mortgage inventory loan was devised under which the mortgage originator pledged to a commercial bank the documents securing a particular loan against which it had a commitment to purchase at a future date—

The CHAIRMAN. Now, what are those documents you refer to?

Mr. SCULLY. The mortgage, the title policy, the bond which has to be enforced by VA, the FHA insurance certificate, fire insurance. They all have to be sent out.

The CHAIRMAN. From the standpoint of the bank, what security or what collateral do you have that the mortgage package will ever be delivered?

Mr. SCULLY. First of all, we have faith and rely upon the mortgage originator. We investigate him primarily in the first instance. He delivers to us in this temporary period a certified copy of the mortgage which is being recorded. He sends these other documents, like the original bond, to the VA for endorsement against a trust receipt so that at all times through the assistance of a local bank in that area we have complete control of the documents, although they are not actually in the possession of the bank.

The CHAIRMAN. This is commercial funds and commercial banks that are being tied up, commercial bank funds tied up, deposits of the people?

Mr. SCULLY. Yes.

The CHAIRMAN. How does the FDIC, for instance, and the national-bank examiners, look upon this type of operation? Do they look with favor upon it, and approve it?

Mr. SCULLY. It has never been criticized, to my knowledge, at all. I take it by that that they have approved it.

The CHAIRMAN. But this operation, you say, does not jeopardize the depositors' funds? Is the record of payment good?

Mr. SCULLY. Excellent.

The CHAIRMAN. No losses of any appreciable amount?

Mr. SCULLY. None at all.

Mr. McDONOUGH. Now, the original mortgage of a transaction of this sort is usually for quite a large sum, isn't it? It isn't the average individual home-purchasing mortgage, is it?

Mr. SCULLY. Pardon me, that is what I am speaking of particularly, the individual home mortgage. I thought that was the purpose of the hearing.

Mr. McDONOUGH. The individual home mortgage?

Mr. SCULLY. That is right, maybe from \$8,000 to \$15,000.

Mr. McDONOUGH. And the security for that paper insofar as you, as a banker, are concerned, is the FHA insurance on it?

Mr. SCULLY. FHA or GI guaranty.

Mr. McDONOUGH. In other words, those are the two elements that assure you that this paper is good?

Mr. SCULLY. No; there are many other elements, too, but they are two of the principal ones.

Mr. McDONOUGH. Plus the integrity of the individual to whom the mortgage was first issued?

Mr. SCULLY. Yes; and his ability to repay, which is also checked.

Mr. McDONOUGH. Now, you handle these in large quantities here?

Mr. SCULLY. That is right.

Mr. McDONOUGH. For instance, in your case how large a quantity?

Mr. SCULLY. Well, over a period of approximately 10 years, I would say that the volume has exceeded a billion and a half dollars.

Mr. McDONOUGH. That is for your institution alone?

Mr. SCULLY. That is right.

The CHAIRMAN. Now, these mortgages that you are talking about are mortgages that insurance companies and other sponsors of buying projects with which they build homes in the remote areas of America, not necessarily in the metropolitan area; is that correct?

Mr. SCULLY. These transactions are handled all over the United States, Puerto Rico.

The CHAIRMAN. A clampdown on warehousing, then, would have adverse effect on home building throughout the country?

Mr. SCULLY. In my opinion, it would very definitely slow it up.

The CHAIRMAN. How long has warehousing been a practice of banks?

Mr. SCULLY. This committed line which I have just referred to is about 10 years old, and further on I point out that as an outgrowth of the experience the commercial banks have had in the committing line, they started to do the noncommitted financing, which I will cover.

The CHAIRMAN. Are you ready to discuss that now?

Mr. SCULLY. Do you want the statement, and then we can discuss it?

The CHAIRMAN. Yes; go ahead with the statement.

Mr. GAMBLE. Well, you don't take title finally until you ask for it, that is so you can control the situation?

Mr. SCULLY. These are loans.

Mr. GAMBLE. But on the warehouse situation of it you don't do anything about it until you ask for it?

The CHAIRMAN. You never take title to the property, yourself, do you?

Mr. SCULLY. The property, no. It is only the mortgage, the lien on the property.

The CHAIRMAN. All right.

Mr. GAMBLE. But the final transaction is in your hands. You make that final transaction when you ask for it; isn't that correct?

Mr. SCULLY. I am not quite clear as to what you have in mind.

Let me put it this way: We make a loan against a particular mortgage. That mortgage is assigned to the bank. Those documents are not necessarily the assignment recorded at that time. So that we have possession of the documents through our local correspondent bank, and we have an assignment that can be recorded at any time.

Mr. McDONOUGH. However, you don't take title to the mortgage? You merely hold it in security for the loan you have advanced against it, and the individual who holds the property cannot sell in the meantime. He cannot sell that property unless you approve?

Mr. SCULLY. That is right, he can pay the loan off and dispose of the mortgage in any way that he pleases.

The CHAIRMAN. All right, go ahead.

Mr. SCULLY. I think it is common knowledge to anyone in the mortgage business that a great many of the mortgage originating companies do not have funds that they can tie up for several months in carrying these mortgages until the package is ready for delivery to and purchase by the ultimate investor; therefore, the original committed mortgage inventory loan was devised under which the mortgage originator pledged to a commercial bank, the documents securing a particular loan against which it had a commitment to purchase at a future date, and the commercial bank carried that loan until delivery and payment was made. Loans of this particular type are usually made in an amount which is based upon the commitment of the permanent investor. In other words, if the commitment is at par, the loan will be made at par or with a slight margin. If the commitment is less than par, the loan in turn will be made at that figure or again with a slight margin.

In my many years of experience in this type of financing, I think it would be very interesting for the committee to know that we have never had a default by a committing purchaser. In brief, the purpose of this type of mortgage inventory loan is to facilitate the even flow of mortgages into the portfolio of the committing investor and to provide mortgage originating companies with a revolving fund so that they in turn locally can provide builders with the funds to plan, construct, and produce housing.

Out of our favorable experience in this type of committed mortgage inventory loans, there was developed another type of financing which, in my opinion, has been the contributing factor to sustaining the build-

ing industry, the creation of mortgage investments in an orderly and marketable fashion in this country, and making it possible at a time when everyone conceded that there was a housing shortage, to create housing and make it possible for qualified American citizens to become homeowners. This type of transaction was commonly referred to as noncommitted warehousing. It differs from the method of financing described above in these respects.

There is no commitment for the purchase of the particular mortgage loan at the time the commercial bank accepts it as collateral for its loan; however, the amount loaned against such a mortgage is determined by the lending bank in its best judgment, having in mind a demand for investment, the mortgage market, and other factors, at the time the line is set up. Over a period of approximately 5 years we have loaned against mortgages of this type in amounts varying from 90 percent of the principal amount of the mortgage up to 97½ percent, and we have set up transaction fees or commitments fees ranging from three-quarters of 1 percent to 1½ percent.

Again, briefly, the method of operation is somewhat as follows: A builder approaches a mortgage originator and submits to him an overall plan of construction for a group of houses and arranges with the originator the financing of the project. This will involve several intermediate steps. First of all, the construction financing in such a case is usually arranged locally with a bank or other lender in that area. In order to induce that bank to loan construction funds, in practically every case that particular bank wants to know and be satisfied that when the job is done their construction loan will be paid off, and the source of such payment.

Inasmuch as all this planning takes place, necessarily so, months in advance of the actual completion and sale of the house, and possibly at a time when the permanent investors in the field are temporarily out of the mortgage market for one reason or another, a facility of this kind is an absolute essential to the continuous orderly economic operation of creating homes.

As I have pointed out before, the amount which is loaned in this type of transaction is determined by the bank, but one of the other conditions in the overall line of credit is that the house that is to be built is of a type which there would normally be a demand for in the area, and that the purchaser of that property, to whom the mortgage loan will be granted, can qualify creditwise and show his ability to carry the charges on the mortgage, as well as any other indebtedness he may have incurred.

I would like to also point out to the committee that it is my opinion that most of the commercial banks which have engaged in this type of financing have not accepted every application for a line of credit that was made to them, but rather they determined first in their own opinion whether there was a demand for housing in the area and an economic possibility that that demand would continue for a reasonable period of time. In other words, any bank making loans in this category has to realize that inasmuch as there is no commitment for the purchase of the mortgage in existence, they may become the permanent investor.

As a guide, and purely as information for the committee, in the years which we have been making this type of financing available,

our experience has been that we have acquired less than one-half of 1 percent of the total commitments we have issued—

Mr. McDONOUGH. In other words, you have become the permanent investor of less than one-half of 1 percent?

Mr. SCULLY. That is right.

Mr. ASHLEY. For what period of time was that?

Mr. SCULLY. We are now talking about uncommitted loans, and that has been active for about 5 years.

Mr. McDONOUGH. You are satisfied with that?

Mr. SCULLY. Yes.

Mr. McDONOUGH. In other words, you are satisfied to become the permanent investor in those cases?

Mr. SCULLY. Right.

Mr. McDONOUGH. Do you believe the fact that you became the permanent investor in those cases was a result of a lack of demand for that type of property in that particular area, or as a result of default on the part of the mortgagee, or what?

Mr. SCULLY. Neither was. It was a circumstance, a change in the economic condition of the country. Most of these loans which we have as a result of this warehousing operation are the old 4 percent guaranty loans. The interest rate was changed to 4½ percent. We acquired the 4 percent loans.

Mr. McDONOUGH. I see.

The CHAIRMAN. Let me ask one question there. As a commercial bank with even a 1 percent investment in the project, wouldn't that mortgage run over a period of time greater than 20 years?

Mr. SCULLY. It can run up to 30 years.

The CHAIRMAN. What authority does a bank have prior to the enactment in the past Congress for the authority—I am talking of a national bank now—for 20-year investments? Under what authority do you get in?

Mr. SCULLY. At the time the Federal Housing Act was passed, the National Banking Act and most of the State banking acts were amended to make FHA-insured mortgages eligible for investment by commercial banks, either State or national.

The CHAIRMAN. Specifically set up for that?

Mr. SCULLY. Yes. The same thing happened when the GI loans were created.

The CHAIRMAN. All right.

Mr. McDONOUGH. Before you proceed, what about this last amendment to the Banking Act that the Congress passed, now permitting 20-year loans on real estate for commercial banks?

Mr. SCULLY. That is for national banks.

Mr. McDONOUGH. Yes.

Mr. SCULLY. I think that is perfectly all right. While I don't suppose it is the subject of your inquiry here, I think that you will find that while national banks were limited to 10-year maturities, it was a rare occasion when that mortgage matured at the end of the 10 years that it wasn't extended, the balance of it, for some further period, which was perfectly within the rules and regulations that prescribed.

I might say at this point that I disagree with the fact that a 30-year term on a private house mortgage is too long a period.

Mr McDONOUGH. You think it is not long enough?

Mr. SCULLY. Well, I don't think it is too long because it would be a matter of careful investigation and disclosing the facts, and I think that you will find that there are many private houses in the country that have been mortgaged for 50 and 60 years. The terms were written for shorter periods, but they were renewed and extended.

This type of financing has assisted and been responsible for the steady flow of permanent mortgage investment funds into the mortgage and home-building market and has contributed in making and maintaining a steady progress of home building from the planning stage to the sale of the house and the placement of the mortgage in the hands of a permanent investor.

Of recent vintage there has developed a third type of mortgage inventory loan and in this type of loan a permanent investor has determined that in a future period, usually 2 years, they will have a definite amount of dollars to invest in mortgages, arising out of their normal amortization payments on their present portfolio during that period. He in turn issues forward commitments to his correspondents which enables the correspondent to maintain the volume of investment required without interruption, breakdown and cutoffs which in turn enables the building industry to fulfill the housing needs in the areas in which there is a demand for housing.

The CHAIRMAN. Now, you are talking about the committed loans?

Mr. SCULLY. It is another type of committed loans.

Mr. GAMBLE. This is the third type?

Mr. SCULLY. This is the third type.

The CHAIRMAN. All right.

Mr. SCULLY. This type of financing differs from the others mentioned in that there is a definite commitment for the mortgage, the documents are examined in advance, the credit of the purchaser is approved and they are delivered to the permanent investor at which time that investor advises the commercial bank that a good delivery has been made. The commercial bank loans the originator against those mortgages and in turn gives the permanent investor the right at any time before the expiration of the commitment date, to pick up those mortgages from the commercial bank and in doing so balances its portfolio at all times.

The facts and statements set forth above should clearly indicate the commercial bank's role in the mortgage and home-building industry in this country in providing short-term construction and mortgage-inventory loans. It has filled a very definite need and purpose in that it has enabled the planning, construction, continuous employment of labor, creation of products that go into a house, sale and financing of homes throughout the country without the seasonal or economic stops and starts which have always existed prior to this time, the net result of which I feel has enabled the building industry to properly plan and take advantage of all the economies resulting from such planning and to deliver to homeowners a better quality house at a cost which is certainly below what could have been accomplished under any other method of building heretofore attempted.

The CHAIRMAN. Mr. Scully, according to the press, before we came here, the Federal Reserve bank, through some of its spokesmen, made, I judge, a verbal statement, with reference to warehousing. There

was no order of any type issued by the Federal Reserve with reference to it; was there?

Mr. SCULLY. As far as I know, there wasn't. I, frankly, don't know any more about that so-called request or restriction than anyone else who has read about it in the magazines and papers. It seems to be very vaguely put that the Federal Reserve has requested or indicated, at least the New York Federal Reserve, I understand, that they didn't look with favor upon commercial banks borrowing short-term credits to carry long-term loans. That is about the most that I can make out of it.

The CHAIRMAN. Well, what do you think that the view which was expressed—I don't know whether it was expressed as official view or, rather, as the views of some of the members of the Federal Reserve, that commercial banks should stop issuing new warehousing commitments or expanding the present lines of credit.

Do you think that position at this time is ill advised or not?

Mr. SCULLY. I think it is a position which should be clarified, very much so. In my particular situation we had necessarily shut down our activities 5 or 6 weeks before the Federal Reserve rumor came out.

Mr. GAMBLE. When you say "necessarily," what do you mean?

Mr. SCULLY. We reached the volume of mortgage credits that we felt we could properly and judiciously carry until we had some runoffs.

Mr. GAMBLE. It had nothing to do with restrictions or anything like that?

Mr. SCULLY. No. We had shut down before any word had come from the Federal Reserve.

The CHAIRMAN. To what extent is the mortgage warehousing regarded as inflationary?

Mr. SCULLY. Well, that is an awfully hard question. I have thought of it a lot myself, but I don't know the answer to that any more than why any other type of financing, consumers credit, automobile, why creating housing is more inflationary than any other type of financing that we are doing today in this country.

The CHAIRMAN. Mortgage inventory, such as you have described here, is it any more inflationary than the actual mortgage credit lending of the, we will say, the big insurance companies?

Mr. SCULLY. I cannot see that it is. We can finance a new office building in New York, Chicago, San Francisco, you are building real estate. You are building it for another purpose, occupancy by tenants, apartment house. If one phase of it was inflationary, I should think it all would be.

The CHAIRMAN. As you describe these three different types of mortgage inventory or mortgage warehousing, it strikes me that that loan has a close kinship to a construction loan; is that correct?

Mr. SCULLY. Well, the construction loan is the first step in creating the house. There is a period between the completion of the construction of that house and the sale of it where the security is taken from the purchaser of the house has to find its permanent home. Now, that is not something, as I pointed out, that can be accomplished overnight in the normal mortgage market when there is demand from investors of all types for mortgage investments. The mere mechanics of getting a completed mortgage package together to ship to the insurance company or savings bank, depending upon the volume of



business that is being done in that particular area, will take anywhere from a month to 6 or 7 months. The permanent investor does not want a mortgage coming in today and 2 mortgages tomorrow, and 3 more the next day. He wants his mortgage purchases shipped to him, and as we call it in a package. He wants a half a million, a million dollars.

Mr. GAMBLE. Who wants that, did you say!

Mr. SCULLY. That is the permanent investor.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. I think the committee would be interested in knowing what you may think about the rate of construction that both the building industry and the financial institutions can adequately support. Would you care to comment along those lines?

Mr. SCULLY. Conceding that we continue the present economic pace in this country without any great variation of it, I would think there would not be any trouble in supporting, say, a million starts a year.

The CHAIRMAN. You mean year after year?

Mr. SCULLY. Yes.

The CHAIRMAN. Well, is there any demand? Is the demand still there?

Mr. SCULLY. That is the big question. In certain parts of the country I am firmly convinced there isn't the demand for new houses. Other areas have not caught up to the demand, but there, again, I feel very confident that the permanent investors, the local institution that is making the construction loan, and anyone who is furnishing the intermediate credit, are perfectly capable of judging and determining whether or not they want to do more financing in any given area.

Mr. McDONOUGH. Well, isn't the deterring factor governed by the fact that the individual does not want to build houses he cannot sell? He doesn't want them to stand around?

Mr. SCULLY. That certainly should be so.

Mr. McDONOUGH. So he builds according to the demand, and if the demand is there he is going to continue to build. And as far as assembling these mortgages is concerned, they are assembled from every part of the Nation. They come to you from every State in the Nation; don't they?

Mr. SCULLY. Yes, sir.

Mr. McDONOUGH. I understand from what you have said, the original mortgage on an individual house—we will say it is a \$10,000 mortgage, multiplied by several thousand in this package, is turned over about 3 times by this procedure that you are talking about, isn't it? It is put back into circulation.

Mr. SCULLY. That is right; it can be.

Mr. McDONOUGH. So that you make \$1 perform the services of at least \$5 before the thing is completed, because he takes these mortgages and then he loans against that security?

Mr. SCULLY. Well, you have in the first instance the local bank making the construction loan. That usually is not the full extent of the mortgage which the purchaser of the property will borrow against it. It is of a lesser percentage. Then you have that purchase mortgage created when the house is sold. That goes to another commercial bank, and it is carried during an interval while everything is completed, and the third step is to the permanent investor, so you

have the local bank's funds in and out, you have the commercial bank's funds in and out, and you have the permanent investor ultimately.

The CHAIRMAN. What percentage of FHA and GI loans would you say are involved in warehousing arrangements, if you have the information?

Mr. SCULLY. Well, I don't have a definite figure on that, but my guess would be that GI's and FHA would probably be 60 percent of the volume.

The CHAIRMAN. You can see how it puts its finger on the important angle.

Mr. McDONOUGH. Yes.

The CHAIRMAN. Any questions, beginning over there, Mr. O'Hara?

Mr. O'HARA. Yes; I am thinking back to the late twenties when we had a construction boom and much building, and then the bottom dropped out, and we had many, many bank failures. Now, suppose the bottom should drop out of this because of reduced wages, people could not make their payments. Would you be left in the position of holding the bag?

Mr. SCULLY. We would be left in the position of holding mortgages on individual homes which in turn are insured either by the FHA or guaranteed by the Veterans' Administration. First of all, the homeowner has got to default before there is any trouble at all, conceding that there is that possibility under the situation as you outline it. We then look to the FHA to pay the loan off or the Veterans' Administration, in turn, if it is a VA loan. That is the difference. The other very, very substantial difference in this type of financing as against what we were doing back in the twenties is that the mortgage on the house is paid off monthly. The carrying charges of the house, consequently, are much less back in the twenties where the homeowner had a first mortgage at 6 percent, had a second mortgage at 12 percent, or some other fantastic amount, and the least drop in his income put him right behind the eight ball.

Mr. O'HARA. He wasn't paying any principal, he was just paying interest, and renewing it every 3 years?

Mr. McDONOUGH. That is right, and paying premiums upon renewal.

Mr. O'HARA. Now, I have in mind what is going on in my city of Chicago. They are going out into the suburbs, committing themselves for \$15,000 to \$18,000 homes. They are depending on automobiles to carry them to and from their work. They are also committed for television and other appliances. They are honest people, but if we do have a recession after this period of inflation these honest people are not going to be able to meet their obligations and you will have a bad situation.

Mr. SCULLY. There isn't any question about it.

Mr. O'HARA. When that happens are you putting yourself in the position of holding an unduly large portion of the burden?

Mr. SCULLY. I don't think so. In the first place, you mention that the consumer has an automobile. He travels in the car to his work. He has other monthly charges for consumer credit, we will say, but that is all taken into consideration before the mortgage is made originally. If that man is overloaded with debt, he doesn't get the mortgage on the house.

Mr. McDONOUGH. His mortgage isn't in this portfolio he is talking about.

Mr. O'HARA. I appreciate that, but it all has a bearing upon the ability to pay.

Mr. McDONOUGH. Oh, yes.

Mr. SCULLY. Very definitely. That is one of the things.

Mr. O'HARA. I can remember so clearly banker optimism in the late twenties, and I remember then we were hearing the talk that we will never have any distress because we had expanding economy. That is exactly what we hear now. And we had a great building construction boom at that period, and I recall so well how bank after bank in my own city of Chicago went to the wall largely because they were loaded up with real-estate loans and investments.

Mr. SCULLY. Well, real-estate loans and investments, regardless of that fact, have proven to be a very good investment because the banks that could stay with it and ride it out have usually made a profit on the real-estate investment.

Mr. O'HARA. Well, yes, I can go pretty far with you on that. Much of the construction in the twenties was done by the banks on what they called gold real-estate bonds. Then when the distress came and the properties went into bankruptcy, the surviving banks formed their own reorganization committees. These reorganization committees ended up with the big skyscrapers and hotels and apartment buildings in the bag. The bondholders who put the money up ended either in the poorhouse or the grave.

Mr. SCULLY. All I can say on that, sir, is that the method of banking in Chicago was different from what it was in New York.

Mr. GAMBLE. And the result was worse in Chicago than it was in New York.

Mr. SCULLY. Well, this didn't happen in New York.

The CHAIRMAN. Well, one comment more or question: The truth is that what Mr. O'Hara is saying is something that we all want to avert, banks, Congressmen, and all of us.

Mr. SCULLY. Absolutely.

The CHAIRMAN. But there have been safeguards, and I am not trying to put in any plug for the Congress, over the years, with reference to loans, that cuts out that second mortgage, that cut out the extremely high rate of interest, and the careful approach now made by legislation as well as by financing that in a measure has helped to pull some of the dangers that uprooted us in the twenties.

Don't you really believe that?

Mr. SCULLY. I certainly do, and I also want to emphasize again that I think that the mortgage investors today are approaching the problem of a mortgage investment entirely different than it has been approached in the past. We have been accused at times of being awfully tough and turning down mortgage applications because it was so evident on the credit statement of the fellow that wanted to buy the house that he was in trouble the minute he bought it. We and many other investors will not touch that type of mortgage financing even though it is guaranteed.

Mr. GAMBLE. And you are more careful these days that he doesn't overbuy himself?

Mr. SCULLY. We want to know his entire obligations, not only the house, but everything else. Then we measure that against his income, his stability, and his future prospects.

Mr. GAMBLE. Yes; but you don't want him to buy in an upper bracket that you know he cannot fulfill?

Mr. SCULLY. Absolutely not.

Mr. GAMBLE. And that wasn't done in the old days?

Mr. SCULLY. Oh, no; you weren't concerned with what a person was buying then. Anything he wanted to buy, buy.

The CHAIRMAN. Any other questions, gentlemen?

Mr. BARRETT. Mr. Chairman.

The CHAIRMAN. Mr. Barrett.

Mr. BARRETT. Will you embellish your suggested reasons as to the change from warehouse mortgage to your inventory loan mortgages?

Mr. SCULLY. Well, I just feel that warehousing has become a term which has been pretty generally adopted and used in the industry, but it is not to my mind explicit as to what is actually being done here. I think that the word "inventory" would cover it better. We have a mortgage originator, his stock in trade are his mortgages. That is his inventory. That is what he is originating. That is what he is selling.

Mr. BARRETT. Do you think they have been negligent on inventory because they don't emphasize the word?

Mr. SCULLY. No; there is no negligence, just my own idea that perhaps warehousing has got to be a nasty word.

Mr. McDONOUGH. It sounds as if it is a mortgage on a warehouse.

Mr. SCULLY. You are putting mortgages in a warehouse.

Mr. McDONOUGH. That is right.

The CHAIRMAN. Any other questions, gentlemen?

Mr. WIDNALL. Mr. Scully, have you experienced any differences in pay back as between a 20, 25, or 30-year mortgage?

Mr. SCULLY. You mean as to defaults?

Mr. WIDNALL. Yes.

Mr. SCULLY. None whatsoever. I don't know of any figures that would point that up. I have never heard of any.

Mr. McDONOUGH. Incidentally, this mortgage inventory financing doesn't have anything to do with slum clearance projects, does it?

Mr. SCULLY. No, it doesn't.

Mr. McDONOUGH. It is all on new construction only?

Mr. SCULLY. No, not necessarily. You may have an older house being financed in the same manner.

Mr. McDONOUGH. I see.

Mr. SCULLY. But there, again, it is the question of the location of the house, the condition of the house, the livability.

Mr. McDONOUGH. Well, now, on a big subdivision, where the subdivider is going to build several thousand houses, and he is going to build a shopping center in the center of that, that is all included in such a mortgage?

Mr. SCULLY. The shopping center is entirely separate and apart.

Mr. GAMBLE. That is commercial and you distinguish very clearly.

Mr. SCULLY. Yes; I assumed that our discussion would be confined to home financing.

In the urban developments where you have shopping centers created, they are separate and apart and financed through a direct commercial

loan, and again you will find the commercial bank probably making the construction loan against the takeout of a permanent investor to take the loan when the building is completed.

The CHAIRMAN. You wouldn't go for an extension in the time for payment above 35 to 40 years, would you?

Mr. SCULLY. I think 30 years is a very reasonable and safe period, and I would like to point out to you that while it probably is not serious at this point, the cutting of the term from 30 to 25 years is going to bar certain people from buying houses which otherwise could be qualified. That adds anywhere from \$5 to \$6 a month to the payment on the mortgage, and you will find a great many cases where that is enough to disqualify the parties.

The CHAIRMAN. It also increases the downpayment, doesn't it?

Mr. SCULLY. The downpayment I don't think is serious. I don't think it makes a bit of difference. It is the shortening of the term, the monthly charge that will disqualify a certain number of people who would otherwise be qualified to buy houses.

Mr. McDONOUGH. Now, this inventory mortgage financing doesn't apply to multiple housing, either?

Mr. SCULLY. No, to apartments, no. On the other hand, the commercial banks have made loans to finance the construction of them.

The CHAIRMAN. That is a different deal?

Mr. SCULLY. That is altogether different from what we are talking about.

The CHAIRMAN. Any other questions, gentlemen?

Mr. BARRETT. One more question, Mr. Scully.

Will you give us your definition of warehouse mortgaging or inventory loan mortgages?

The CHAIRMAN. He gave that while going through his paper.

Mr. BARRETT. I would like to get that.

Mr. SCULLY. It is a facility which has grown up and come into existence for the purpose of carrying a mortgage loan—

Mr. BARRETT. Incidentally, may I add this: The press wants to get this definition.

Mr. SCULLY. Well, it is in the statement. If they want to take it out of that they can. But it is a facility for carrying the mortgage loan while all of the documents are being assembled, put together, and ready to ship to the permanent investor. The mortgage originators throughout the country are not in a position to tie up funds for 6 or 7 months to carry their own inventory the same as bond dealers and security dealers. It is the facility that works out the even flow of mortgage financing from the origination to the permanent investor.

Mr. BARRETT. May I use Chase National for an example?

Mr. SCULLY. Chase Manhattan, sir.

Mr. BARRETT. Chase Manhattan.

Suppose, for example, the original investor wanted to invest in Chase Manhattan and you could not carry the loan, and you would parcel it out to other banks. What effect would that have on servicing the loan?

Mr. SCULLY. The loan is serviced by the originator in the area in which the loan is located. It isn't serviced by the bank itself.

Mr. GAMBLE. The originating bank, you mean?

Mr. SCULLY. The originating bank or the mortgage correspondent, the mortgage temporarily or finally the permanent investor.

est, insurance, condition of the property, to the bank that either has the mortgage temporarily or finally the permanent investor.

The CHAIRMAN. Mr. Scully, thank you very much. You have made a very good witness and talked about a subject that I confess I didn't know too much about, and I feel like I know at least more about it than I did.

Thank you for coming. We appreciate your appearing.

Mr. SCULLY. Thank you very much.

The CHAIRMAN. We are going to try to run on schedule today, if we may.

The next witness is Mr. Thomas P. Coogan, president of the Housing Securities, Inc.

Come around, Mr. Coogan. How are you, Mr. Coogan? Nice to see you again.

Mr. COOGAN. Good morning, gentlemen.

The CHAIRMAN. Do you have a prepared statement, Mr. Coogan?

Mr. COOGAN. I have a prepared statement. If I may, I would like to follow it through.

Mr. GAMBLE. It is not the first one you have prepared for Banking and Currency, either.

The CHAIRMAN. We have seen him many times. We will be glad to let you go through with your statement, and then the members can ask questions.

#### STATEMENT OF THOMAS P. COOGAN, PRESIDENT, HOUSING SECURITIES, INC.

Mr. COOGAN. Mr. Chairman, at the outset I would like to express my appreciation to you and your committee for asking me to express my views on various facets of the subject with which you are concerned. I consider it an honor to be called before this committee, and I very much hope I may have something constructive to bring to this all-important study you are conducting. I would also, Mr. Chairman, like to congratulate the House Committee on Banking and Currency for their wisdom in making this study of legislative needs with respect to our great housing industry. I am fully aware of your long background and interest in these matters, and I am sure that, in the present instance, the investigation will be made with a view toward establishing positive recommendations to assist this most important area in our economic and social structure. I must add that I do not feel the housing industry has always been treated in this manner.

I have been requested to speak on two subjects, the warehousing situation as it now exists in the housing industry, and also on the operation of FNMA and what could be done to improve its operations. Before going into these two matters in detail, I would like to give a slight summary of conditions as of today, which I think are important as a background.

After 10 years of rising production, improved housing, improved facilities, the housing industry stands at a crossroads in its progress. In a remarkably short time the industry has overcome material shortages, has trained skilled craftsmen, has developed mass production techniques, designed progressively better housing and completely cured the postwar housing emergency of this country. Since 1950

housing has been devoted to upgrading families already housed and producing better, more modern living accommodations for the American people.

In a great part this was due to the very successful financing devices developed in Congress, namely, the FHA and VA and the Home Loan Bank System. We are now facing a period where our production has reached unusually high proportions chiefly because of the easy money policy assisted by the 1-for-1 program and other devices of 1954.

Before any control was attempted, it was apparent to those of us close to the national picture that there would be a slowdown later in 1955, due to the inability to sell this huge volume of houses. Sales have been slowing steadily since the early spring, and now many projects are being cut back. Before this natural curtailment was evident, the active restraint policy of the Federal Reserve Board began to further impede housing production. Then followed a series of events which created the absolute cutoff of mortgage warehousing. These included a series of questionnaires to banks on their mortgage activities, the credit curbs imposed by FHA and VA, and, finally, the Home Loan Bank's curtailment of credit to the savings and loan institutions. These actions will seriously retard housing production in 1956, which is now in the planning and development stage, but will have no effect on the housing production of 1955.

Practically every builder and developer is operating on financial commitments issued in late 1954 or early 1955, and not subject to current controls. It is my belief that the culminative effective of the credit actions, coupled with the dwindling demands, will create a serious drop in housing starts for 1956. The industry will feel the effects in the next few months as their plans for next year must now be deferred until the financial climate changes.

Those of us having long and close interest in housing have always been disturbed by the failure to realize on the part of the Government this 6 to 9 months' lag between action and result that exists in the housing industry. It is important that you, Mr. Chairman, understand that this same lag will be evident when it is necessary to modify the credit terms.

At this time I wish to point out that actually we are on the horns of a dilemma as we are faced with overbuilding and at the same time with a serious housing shortage. Under the present methods of operation of all our existing financing devices, production is concentrated in or close to the large metropolitan areas, and for certain types of residences. Rural communities, the outlying areas in some States, and the minority racial groups in this country, have not yet been able to avail themselves of the governmental financing aids. Low-rent housing and cooperatives so essential to well-rounded economy have been brought to a complete stop. The urban redevelopment program, the elimination of slums, and all the very well-intentioned plans such as Action will be completely impotent until financing the low-rent housing problem has been solved.

The solution for these three problems, and many others, lies in a well organized central mortgage bank acting in close cooperation with FHA, VA, and Treasury. It has always been a source of wonder to me that a Government that takes such pains to see that its Treasury bonds are in accord with monetary policy and always carefully issued in such a way as to have an assured market, permits the billions of

dollars of guaranteed insured mortgage instruments of almost equal dignity to be the marketed helter-skelter on the financial system. FNMA, as now constituted, is not the central mortgage bank that it should be. It is the cause of the mortgage market being lowered by a point or more. It forces either the home buyer or the builder to buy three points of stock, usually stock which he pays for but does not receive. It is unable to provide advance commitments except in its special function classification. It has not improved the liquidity of insured and guaranteed mortgages as it does not provide a rediscount facility. It maintains a fictitious price practice in its selling methods.

FNMA should be reconstituted to be permanently controlled by the Government, to be operated with a 6- or 12-man rotating advisory board from various sections of the country. All approved mortgages should be eligible to buy stock in the corporation as a prerequisite of doing business, and it should be authorized to issue notes or debentures against its portfolio of mortgages.

Also the new FNMA should have the authority to rediscount mortgages for any of its stockholders, a rediscount facility on the basis of full recourse. It should be in a position to issue available commitments at a fee and its buying policy should be such that an even and steady market for the insured and guaranteed mortgages could be maintained at some moderate discount price which would permit investment institutions the widest latitude in buying at or above FNMA's prices.

The new FNMA should be completely coordinated with the Treasury, FHA, and VA operating in close touch with the housing market and provide that an even flow of money be maintained, to curb excesses and avoid slumps in housing production. Under this method low rental housing would again be possible, rapid steps could be made in clearing our slums and in urban redevelopment and the low income, rural communities and minority groups, those all having been long denied, would again be eligible for home ownership.

Past experience of FNMA has proven that FHA and VA loans, while offering servicing problems in some areas, are still profitable when handled by a large central agency. FNMA could receive its funds from public sale of notes and debentures and have recourse to the Treasury only in cases necessary to carry out administrative policy or in cases of national emergency.

The other subject, Mr. Chairman, which you asked me to discuss, was warehousing. Over the years we have gradually improved the status of insured and guaranteed loans in the eyes of bankers. In the last few years we have received a general appreciation of the fact that these loans are good securities and prime collateral. I think that is an important point, gentlemen.

As a result they have been accepted by the commercial banks of the country as collateral for short-term loans. Unfortunately, when used in this manner, the term "warehousing" has been applied, and apparently many people, because of the use of this word, misunderstand that in all cases it is a simple financial transaction.

As a prolog, it is necessary to explain that in a housing development or project no insured or guaranteed mortgage is actually available until the land has been bought, utilities and streets installed, the house constructed, the building inspected by the FHA or VA, the



buyer's credit reviewed by FHA and VA, a final certificate of the house and approval of the buyer issued by the agency. It is easy to see that until the insured or guaranteed mortgage is actually in existence, large sums of money must be spent. In addition, in order to secure a firm commitment to buy the mortgages, an investment institution must agree in writing to buy the loans on houses not yet built, sold to buyers not yet found, for delivery in a period of 9 to 12 months from date of commitment. As a result, many institutions, particularly in times of money uncertainty, are unwilling to commit this far in advance or do so only at extremely low prices.

To aid the industry, the banks, therefore, developed uncommitted mortgage warehousing. Under this arrangement a commercial bank agrees to issue a firm commitment to buy these loans at a margin price that is generally well below the prevailing price. It further agrees to take these mortgages and to hold them for varying periods of months; that is, the mortgage actually remains the property of the mortgagee until the end of the agreed-upon period, during which time the houses can be completed and sold and the builder and mortgagee have time to sell their mortgages to best advantage and, in addition, to have a package of mortgages available for immediate delivery.

Mortgage investors normally are willing to pay a higher price for immediate delivery loans as against forward commitments. As a result, this type of warehousing makes it possible for builders and mortgagees to smooth out their construction year. It is not necessary to delay construction for a satisfactory mortgage market. It makes it possible for them to seek a wider field for their mortgages and avoid delays and stoppages during the year. All of this resulted in considerable saving in construction cost. The end result of these savings was more houses for the money for the home-buying public. Without uncommitted warehousing the builder is like the farmer who has to sell his crop before he plants the grain.

The second type of warehousing is known as committed warehousing and arises when a mortgagee does have a commitment from an investment institution with the specific delivery date at some time in the future. Many mortgage companies do not have the capital necessary to advance the money to the builder during construction, pay off the mortgages on completion of the house, and carry the loans until the delivery date. To fulfill this need the commercial banks of the country have accepted these firm commitments for mortgages as collateral and advanced the money during construction and to also pay the builders on completion of the house, and permit accumulation of the mortgages so that they may be delivered in one package on the due date of the commitment. Surely this is a normal function of commercial banks.

There is a third type of warehousing which we call the institutional type, and usually involves an investment institution warehousing loans that are received from the mortgage companies on their due date and for which funds are not available, or even taking mortgages out of their own portfolio and using them as collateral for a commercial bank loan. It is traditional that banks will not borrow from one another. Therefore, they enter generally into repurchase and sale agreements in order to secure cash. This type of warehousing is generally a protective device by investment institutions, particularly necessary in the present monetary situation.

The institution at the time it issues its commitment tries to set a delivery date for the mortgages at a time in which they will need this type of investment to take care of their funds. However, there are times when sudden unexpected withdrawals or scheduled payoffs of loans do not occur. Institutions have the obligation to accept loans and therefore warehouse them in a commercial bank where they will then pick them up as the funds are available. This serves a double purpose because without warehousing the institutions are forced into the sale of their long-term securities and Treasury bonds, usually at a severe loss with a bad effect on the bond market and corresponding depressing effect on the mortgage market.

I believe that these three types of warehousing properly used are a normal function of commercial banking and vitally important to the housing industry. Warehousing makes it possible for the builder and mortgagee to have the same financing devices that are available to the farmer for his crops; to manufacturers for his inventory, and to distributors for their products. The present restrictive actions by the Federal Reserve Board are just now beginning to be felt. Before this situation becomes drastic, the Federal Reserve Board should immediately and publicly recognize collateral loans on mortgages heretofore known as warehousing, as a normal function of commercial banking, and if in their wisdom they wish to exercise some control we in the industry have no objection, but to precipitate a crisis, a complete cutoff is something neither this industry nor any industry can stand.

The large banks actively engaged in mortgage warehousing met the situation during the two previous unsettled periods of 1951 and 1953 by increasing their fees and margin requirements, effectively curtailing an overuse of the warehousing. We believe that the banks now engaged in this operation have adequate experience and knowledge so as to adjust their policy to meet new situations.

Lastly, it is impossible to maintain and secure the proper level of housing of all types unless a strong housing agency adequately staffed with career personnel is maintained in the Government, an agency at a high enough level to ward off unjustified attacks and political pressure.

And, gentlemen, I am talking there about Cabinet level for a housing agency.

I feel very strongly and very seriously about all these matters, and hope that your inquiries into our problems will lead to a correction.

I will be happy to furnish any further information and answer any questions.

The CHAIRMAN. I think I should announce before we start asking Mr. Coogan questions, that I invited, as the chairman of this committee, Mr. Sproul of the Federal Reserve here in New York to appear before the committee and present his views on the matter in the light of the press statements that I have seen, and he wrote me a letter which I am incorporating in the record at this point, saying he did not see that he could contribute anything at this time.

(The letter referred to above follows:)

FEDERAL RESERVE BANK OF NEW YORK,  
New York 45, N. Y., September 12, 1955.

HON ALBERT RAINS,  
Chairman, Subcommittee on Housing of the  
Committee on Banking and Currency,  
House Office Building, Washington, D. C.

DEAR MR. RAINS: I am appreciative of your invitation to appear at a hearing of the Subcommittee on Housing, of the Committee on Banking and Currency of the House of Representatives, which is to be held in New York City on October 5 and 6, 1955. It would not be possible for me to appear at the time you suggest, however, and I think that in any case you will undoubtedly be hearing from others more competent than I am to discuss mortgage financing in general and the so-called warehousing of mortgages in particular.

As a part of my duties I am, of course, interested in the state of the money and capital markets, of which the mortgage market is a part, and in the relations of these markets to the general health of the economy. My cautionary talks with some of the commercial banks in this community, to which you refer, related to possible abuses in the use of bank credit under the general caption of "warehousing mortgages," not to the appropriate and customary uses of bank credit in financing the home building industry. In view of the state of our economy then (and now), and the possibility that inflationary pressures might be developing, and in view of the existing and prospective demands for commercial bank credit on the part of private business and the Federal Government, it seemed to me that it was not the time for an extraordinary diversion of bank credit into the mortgage market as a substitute for savings. Few things would be worse for the householder, or for the building industry, than a misuse of bank credit at this time, which could promote inflationary price movements and accentuate probable cyclical swings in the economy in general and in the building industry in particular.

So far as individual situations are concerned, the banks to which I talked; presumably know the difference between the customary and proper short term uses of commercial bank credit in helping to finance the home building industry, and the possible abuses of such financing which some of them had reported to me. These are decisions, however, which only the individual lender can make, having knowledge of all the facts. I could not, if I would, try to tell the banks what particular loans should or should not be made to finance the needs of the building industry.

I hope that this letter will clear up whatever misapprehensions your committee or others may have had concerning my conversations with member banks on the subject of mortgage financing. I am sorry that I cannot present myself at the hearings of the committee, but I doubt if there is anything that I could add which would be germane to your inquiries. In case you have not seen it, however, I am enclosing a copy of an article on the Demand for Housing which appeared in the Monthly Review for September of the Federal Reserve Bank of New York.

Yours faithfully,

ALLAN SPROUL, *President.*

Enclosure

The CHAIRMAN. Mr. Coogan, you really make one or two important recommendations to us on this committee, and to the Congress. One in which I am vitally interested has to do with the Federal National Mortgage Association. What you are actually saying is that you think the Federal National Mortgage Association should be given the same status as the Home Loan Bank Board, Federal Reserve, and that a lot of guaranteed mortgages which vitally affect the monetary standing, are turned loose, to use your term, helter skelter across the country.

Mr. COOGAN. That is right.

The CHAIRMAN. And you set out in detail your idea of what that central mortgage board, market, or whatever you want to call it, how it should be constituted.

Do you think that we could amend the law governing the present Federal National Mortgage Association, weak as it is, to achieve what

you have in mind and what you suggest here, or do you think it would take a complete new setup?

Mr. COOGAN. I believe it could be amended, Mr. Chairman; the present institution already has the right to issue notes and debentures and has done so. As constituted, it is to be turned over eventually to private enterprise and requires purchase of stock with each sale of loans to the institution which is an undue penalty on the home-buying public and the industry.

The CHAIRMAN. Do you feel that Fannie May, as it is presently constituted, and presently operating, supports the mortgage market, or is it a drag on the mortgage market?

Mr. COOGAN. It has been a drag on the mortgage market.

The CHAIRMAN. In other words, Fannie May follows the market instead of leading it.

Mr. COOGAN. Well, it let it down. When Fannie May announced its buying prices many of the large investment institutions immediately cut their buying prices.

The CHAIRMAN. Do you regard that as the proper function of the Federal National Mortgage Association?

Mr. COOGAN. No; I do not. I think it is comparable to the Treasury issuing Federal bonds and having the Federal Reserve announce that they will buy them back at 98.

The CHAIRMAN. Now, one or two brief questions on warehouse mortgaging.

You say that it is an essential element for the homebuilding industry?

Mr. COOGAN. That is right.

The CHAIRMAN. And, as you see it, the funds of the investors or depositors in the commercial banks have adequate security for their deposits and national banks are not making wild investments; is that your judgment?

Mr. COOGAN. It is definitely. I think it is much better to be investing it in guaranteed and insured loans which is all they are operating in than in almost any other commodity that might fluctuate wildly in price or even deteriorate, while the product itself might deteriorate badly while the loan is on the property.

The CHAIRMAN. What is your usual interest charge that the banks make on the type of warehouse loan?

Mr. COOGAN. Usually equal to or less than the going rate. The 4½-percent loan until recently has carried a 4-percent rate on the warehouse mortgage, so there is still a half percent there.

The CHAIRMAN. The simple truth is the builder who is constructing the project, if he couldn't get the money from the financing agency to take care of the hiatus from the time he gets his first commitment until it is sold, he would have to get the money somewhere else.

Mr. COOGAN. Absolutely.

The CHAIRMAN. Are there any other financial setups that could make the type of loans that are done on this warehousing basis?

Mr. COOGAN. Well, yes, but not on the same basis. A builder with a good rating could go to a bank and get a construction loan for a lesser amount, but it is very rare that anything else is available to him. I want to point out, Mr. Chairman, that frequently the large institutions with the best intentions, and in spite of their best efforts, are

operating heavily in an area and they become overcommitted in that area, and as a result have to stop making loans in all areas, and a builder that is normally dealing with institution A, in taking his loans, because they have misjudged their ability to buy, they have to stop buying in his area too, and he has recourse to warehousing or some other device to tide him over, he has to lay off his construction crew, let his men go, and shut his job down. He can't proceed with his work without that firm takeout commitment from that institution or another institution.

Warehousing permits him to immediately make arrangements and then he has months to look around and make the best possible setup for his loans.

The CHAIRMAN. We understand that. You know, of course, about the Voluntary Home Mortgage Credit Association?

Mr. COOGAN. Yes, I do.

The CHAIRMAN. We understand that at a recent meeting, that the Voluntary Home Mortgage Credit Association passed a resolution insisting Fannie May refer all offerings first to the Voluntary Home Mortgage Association. Do you know whether that is true?

Mr. COOGAN. I understand they offered the resolution. I don't think it was approved.

The CHAIRMAN. You don't think it was approved?

Mr. COOGAN. I am sure it wasn't. I don't have any firsthand knowledge.

The CHAIRMAN. What would you think of that requirement for Fannie May?

Mr. COOGAN. I think it would be a very bad requirement for Fannie May, it would be a very bad burden. The voluntary association is a good idea. It is getting started, but it is asking individual institutions to do collectively what they won't do individually.

Mr. GAMBLE. Wasn't it a wise thing to try out?

Mr. COOGAN. Yes; I think all things are wise to try out.

Mr. GAMBLE. I was very much interested in it and I think it will work out.

Mr. ADDONIZIO. Mr. Coogan, in your statement you say the present restrictive actions by the Federal Reserve Board are just now beginning to be felt. I believe our last witness, Mr. Scully, said that he didn't know of any restrictive actions excepting what he had read in some magazines. I was wondering if you would care to elaborate as to what these restrictions are and where you get your information.

Mr. COOGAN. I would be happy to. I am very happy that that question has arisen, because the Federal Reserve Board, as in many instances, did not put out a regulation. It simply goes around and taps these bank presidents on the shoulder and tells them they want them to stop, and they stop, and when you try to face them up with the facts, they will say, "We never issued any such regulation."

At the top level they stopped them and they have stopped one other bank that hadn't been active in warehousing, a New York bank, which attempted to help some of its correspondent banks by moving in, feeling they had no loans in this field and might safely enter it.

They said: "No, no, Federal won't stop us"; but Federal did stop them.

Mr. GAMBLE. Through the back door they work it sometimes.

Mr. COOGAN. Yes, through the back door, through intuition or something else. It works very effectively.

Mr. GAMBLE. I don't know about using the word "intuition."

Mr. COOGAN. No.

Mr. ADDONIZIO. Of course, you feel very definitely this is going to curtail our housing starts?

Mr. COOGAN. It is almost at a dangerous stage because the little banks around the country that depend on the big New York banks to carry a part of their burden—in most of these banks mortgage debt runs into pretty big figures automatically, and a lot of small banks depend on Mr. Scully's and other banks in New York to participate in their loan operations and give them the necessary credit.

These banks are now turning them down in New York so the local bank is turning them down in the field. We will not see the full effects until the present financing agreements expire, and they are requested to extend them or renew them or issue new ones, and that begins to have its cumulative effects.

Mr. GAMBLE. The small banks are just frozen, aren't they?

Mr. COOGAN. Yes.

Mr. McDONOUGH. However, the policy of the Federal Reserve in this respect is merely a temporary situation. It is elastic. It can be changed overnight, and it is a theory that we are overbuilding in some places and underbuilding at other places.

Mr. COOGAN. Well, I have no objection, sir, to curtailment. I object to housing being singled out for complete cutoff, while there are still 3 and 4 years to pay for automobiles and inventory loans are still going along. Certainly, the banks are cutting them back, but instead of just cutting us back and making it more difficult in warehousing, they have cut us off completely.

Mr. GAMBLE. Isn't there a higher percentage of loans in the automobile industry than in housing?

Mr. COOGAN. Well, I don't have the exact figures.

Mr. GAMBLE. I have never seen any figures.

Mr. COOGAN. I believe housing figures run higher than automobile financing, but I don't like to confuse them because one is consumer credit and the other long-term debt, and one of the advantages of the insured mortgage is on this 30-year mortgage in evaluating the debt the person living in a house under our present modern and well-thought-out financing problems—it is almost impossible for him to move. There is no comparable or nearly comparable housing accommodations available at a rental as low as simply meeting his monthly payments and staying where he is. The average homeowner takes care of his own maintenance and minor repairs, yard maintenance, and avoids the cost that the landlord has, and the 30-year credit isn't available to the average landlord.

Mr. GAMBLE. You are talking about "fix it"?

Mr. COOGAN. The monthly payments to principal, interest, taxes, and insurance, are less than any comparable rent, which is a great safety factor. The cheapest thing for him to do is to stay put.

The CHAIRMAN. Any other questions?

Mr. ADDONIZIO. I have one other question.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. This so-called uncommitted line of warehousing: If it remains unchecked, do you think it would have any undesirable consequences in a period of peak demand for mortgage funds?

Mr. COOGAN. If warehousing were permitted to go unchecked? No; I think the banks have always exercised a very strong control over it. Each bank has its own limit that it sets. Each bank is very careful. In my business we get out a market analysis for housing in various cities and the banks have their own sources. They check with their correspondent banks to see what the demand is in that city, and we are frequently seeking that type of credit and banks turn us down. They say we are making no more loans in such a city, or where they will want a 5-point margin in one city, they will want an 8- or 10-point margin in another city.

That is, the effective natural curbs that we can live with have been in use for some time. I think the Federal Reserve figures on the extent of warehousing showed that it isn't abnormal, that it is just about what you would expect as a float between all of these construction operations, to getting the mortgage into the hands of the final investor. Somebody has to carry them.

Mr. GAMBLE. Mr. Coogan, would you identify yourself for the record and give us your address, your office, and so forth?

Mr. COOGAN. My name is Thomas P. Coogan—

Mr. GAMBLE. It will help us in future reference.

Mr. COOGAN. I am a past president of the National Association of Home Builders. I am president of Housing Securities, Inc., at 250 Park Avenue, New York.

The CHAIRMAN. Are you actively engaged in the home-building industry yourself?

Mr. COOGAN. I was.

The CHAIRMAN. Mr. O'Hara.

Mr. GAMBLE. Well, you have been active in the mortgage field for many years, have you not?

Mr. COOGAN. I have, Mr. Gamble; yes.

Mr. GAMBLE. Because we have seen you down in Washington at our hearings.

Mr. COOGAN. Many times.

Mr. GAMBLE. We would be glad to have you come back.

Mr. O'HARA. Mr. Coogan, I want to commend you on the brevity and clarity of your statement. I think you have made one of the most clarifying statements that I have listened to while a member of the Banking and Currency Committee. I would appreciate a bit of amplifying. You said, I believe, that there are three types of warehousing if properly used. Is there an area where they are not being properly used?

Mr. COOGAN. Not to my knowledge, but I think one of the things that set this thing off was that the Federal Reserve was completely unaware of warehousing and they found out about it when the publicity was given to two big institutions of warehousing.

I think now that they know about it, if they take the data and keep their finger on it, by that back-door control we have been talking, they can keep it well in hand without cutting it off.

Mr. O'HARA. That is, you do appreciate that it might be misused?

Mr. COOGAN. It is always possible to misuse everything.

Mr. O'HARA. I notice later on and from my past contact with you that in some areas you have not favored controls.

Mr. COOGAN. That is right.

Mr. O'HARA. Yet you do suggest here that we have no quarrel with the industry if it desires to put some controls on the use of this warehousing.

Mr. COOGAN. No; if you got that inference, it is wrong. If the Federal Reserve Board thinks it is necessary for the economy of the country to curb credit to some extent, we are willing to take our pro rata share of that credit curb. but because we are an industry that has a lot of curbs through the control of FHA and VA, and these monetary curbs, housing is being controlled more than any other industry simply because the devices for control already exist.

Mr. O'HARA. Well, you say, if in their wisdom, they wish to exercise some control, we in the industry have no objection.

Mr. COOGAN. Over warehousing; yes.

Mr. O'HARA. Then you think it would be perfectly proper for the Federal Reserve to blueprint it and to promulgate certain rules and regulations that you are to follow.

Mr. COOGAN. That is right.

Mr. O'HARA. That is, warehousing might become an evil unless it were controlled within reasonable levels?

Mr. COOGAN. Yes, sir.

Mr. O'HARA. Thank you.

Mr. GAMBLE. Why is it that the public generally never knew anything about warehousing until the last couple of months? I don't think they did.

Mr. COOGAN. Well, it received no publicity. It is probably a misnomer, anyway. These large financial deals, the one that institutional securities made, that received a lot of publicity, and another one that the Prudential Life made, if those had been simply loans from a bank to a large corporation, it would catch a little headline in the financial page and nobody would pay any attention to it. Simply because it involved mortgages in warehousing, it received a lot of publicity.

The CHAIRMAN. Maybe it is because we didn't all understand it.

Mr. COOGAN. I think so.

Mr. GAMBLE. I don't think it has been brought to the attention of the Banking and Currency Committee in either the House or the Senate at any of its hearings, at least I don't recall so.

Mr. COOGAN. No; I don't think it has, Mr. Gamble. But up until now for years we have been going with conventional mortgage people handling mortgages and treating every mortgage as a conventional mortgage, and the insurance and guaranty was incidental. In this postwar period an FHA or VA mortgage isn't really a mortgage. It is a hybrid. It is halfway between a mortgage and a bond, because it has the guaranty of the United States Government on the back, and that status is gradually being accepted as a prime security and good collateral acceptable by banks.

Mr. GAMBLE. Well, do the mortgages that don't carry an FHA guaranty come under this warehousing?

Mr. COOGAN. No.

Mr. GAMBLE. It is confined entirely to VA and FHA mortgages entirely, is it not?



Mr. COOGAN. Yes.

Mr. McDONOUGH. Well, now, Mr. Scully just said that his portfolios are about 60 percent guaranteed loans, that the others are not.

The CHAIRMAN. I believe the question I asked him was what percentage of GI and FHA loans are involved in warehousing arrangements. It was the other way, and he said it would be his idea it would be about 60 percent.

Mr. COOGAN. VA and FHA loans are the only ones that can move freely across State lines. The loans are too restricted.

Mr. BARRETT. Do you think that there is any inflationary effect in this warehousing of loans?

Mr. COOGAN. No; I think it is stabilizing.

The CHAIRMAN. Mr. Widnall.

Mr. WIDNALL. Mr. Coogan, I was interested in the statement that you made on the first page that the development of certain techniques in better housing had completely cured the postwar housing emergency of this country. You are actually referring to one-family housing, aren't you, rather than urban housing?

Mr. COOGAN. Well, what I am talking about there needs a little definition. It is shelter. We came out of World War II with literally millions of people lacking shelter. Now the estimate of the group is that around 1950 or 1951 everybody in the United States was sheltered.

Some of it was inadequate, some of it was substandard, some of it was not what they wanted, but as far as being in a place that could be heated, where they could live, it was available to them. It was not satisfactory, but available.

Mr. WIDNALL. Well, I have found, in legislative life, for instance, that some people can be for a million housing starts, some for a million and a half, and some for 2 million, and some for 3 million, and it is very popular to be for more rather than less. You say on page 3 that we are on the horns of dilemma as we are faced with overbuilding, and at the same time with a serious housing shortage.

Now do you believe that the economy today can absorb a million and a half housing starts a year?

Mr. COOGAN. No; I don't.

Mr. WIDNALL. So that when people say we should have at least 2 million housing starts each year, they are really talking of serious overbuilding?

Mr. COOGAN. That is my opinion.

Mr. GAMBLE. It is the opinion of that housing specialist down in Kansas City or St. Louis also who talked before the mortgage bankers the other day; is it not?

Mr. COOGAN. That is right.

Mr. GAMBLE. He really knows what he is talking about.

Mr. COOGAN. We are in a period of low family formations now until 1960, when it will start up again. We are in a much lower bracket for housing.

Mr. WIDNALL. Well, actually from what I have seen of the picture there is a very serious need in many of the cities for low-income and middle-income housing. Out through the suburbs building is starting to meet demands, particularly here in the East. When it comes to the rural communities, and on page 3 you say "rural communities, the outlying areas in some States, and the minority racial groups in

this country have not yet been able to avail themselves of the Government financing aid."

Now the Voluntary Home Mortgage Association was set up to try to help that situation, and I think it has been helpful in many instances.

Mr. COOGAN. It has been helpful.

Mr. WIDNALL. But, again, there is a problem there that I don't think the Federal Government has been able to meet or can meet. It is local resistance against the placement of any development along those lines.

Mr. COOGAN. No; I don't think so. I think the trouble is that the average institution doesn't want to buy a loan in a small community remote from a metropolitan area where they have a representative, that in case of foreclosure the cost of repossessing that house, curing delinquencies, foreclosing the house in a small community, and the resale potential would be very difficult. So that is why I am advocating the central mortgage bank, or Fannie May, a central agency, say, to carry those loans and float them on debentures. They can be handled. There will be some individual losses, but the overall profit would be high. Until some central servicing and management agency handles that, these small communities are not going to get their housing. It is just too difficult.

Mr. WIDNALL. Do you believe that extension of credits, say from 25 to 30 years, and a lowering of the monthly payments has contributed as an inflationary factor to the cost of housing?

Mr. COOGAN. No, I do not. To some extent, always, when you create increased demand, there is a slight inflationary impact there, but it has not been so, because the lower downpayment, the longer terms, have put housing within the reach of the people who normally would not be able to buy a house, and the minute we sell a man a house he becomes a new citizen, and even though he has a 30-year mortgage, you must remember that a part of each monthly payment is an equity payment and is a form of enforced savings, and with increasing costs, people who buy houses after a very few years build up some equity in that house and are in a much better position.

We find a much better citizen, easier to deal with. He has more civic consciousness, and everything else, as against a renter.

Mr. WIDNALL. Actually, in the one-family housing field you are finding more demand now for larger houses, rather than a 4-room or 5-room house; isn't that so?

Mr. COOGAN. Well, that is a corollary of prosperity, and one of the things I am concerned about, because of the rising costs of land, materials, labor, everything else, everybody is being pushed, and, of course, with the high level of national income everybody wants high-priced houses, but like we are in automobiles, we are always pushing into higher cost. I think the average income in the United States is only about \$5,000 a year. That man is limited to a \$10,000 or \$12,000 house, according to our normal rule-of-thumb of financing, and in many areas it is just impossible to build a \$10,000 or \$12,000 house on which you can sell a mortgage.

The private investor, the average investor, would much rather have one \$15,000 mortgage than two \$7,500 mortgages. He makes the same profit, earns the same interest. The mortgagee gets the same servicing fees, but has twice as much work with two \$7,500 mortgages as against one \$15,000 mortgage, so all of the emphasis and impetus is

on the higher-priced houses with the bigger mortgages, where actually the need lies in the lower-priced houses.

Our section 203 (i) loans that were supposed to be helpful have not proved to be very effective, but in many parts of the country there is tremendous demand for small low-cost homes for homeownership, and we haven't been able to provide it.

Mr. McDONOUGH. Costing how much?

Mr. COOGAN. Depending on the income of the area, I would say from \$7,000 to \$10,000.

Mr. McDONOUGH. You say that low-rent housing has come to a complete stop?

Mr. COOGAN. It has. Of course, there, too, that is an ambiguous statement, because in the large metropolitan areas, we can't house people in New York, Boston, and Philadelphia, we can't house all of the low-income groups in suburbia. They can't afford the cost of transportation and the cost of the house.

Mr. McDONOUGH. We have a commitment for the North Harlem project in New York City that is going ahead.

Mr. COOGAN. That is the first one, I think.

Mr. McDONOUGH. It is the first one under 220. Of course, there is a \$14 million project in Los Angeles, there is another one in Chicago underway: one in Philadelphia.

Mr. COOGAN. Well, in the planning stage, but builders have been backing away from them. The 213 cooperative has had a great deal of difficulty. You in Congress had to make some kind of provision in Fannie May to give them a takeout on a State allocation basis, and they are trying to get that started. The low rental apartments by private enterprise have come to a complete stop simply because the financing devices are not available and the regulations have been tightened so greatly that it is completely uninteresting to the average investor.

The CHAIRMAN. One question, Mr. Coogan: In following up something Mr. Widnall said—I don't think you would want the record to stand when you say that we are approaching the—not overbuilt, but approaching the limit on houses in this country. You have reference to the homes largely which we are building out in the suburban sections? You are not thinking about all of these people here in New York where we have been looking around at all of these slums?

Mr. COOGAN. No.

The CHAIRMAN. You are not saying that their needs for housing have been met?

Mr. COOGAN. No, sir; I do want to correct that. It is regional and it varies from one area to the other, but we are finding unsold houses backing up in spotty places around the country which is the first indication of overbuilding, but one of the things I am trying to point up in my papers is your low-income housing and middle-income housing in metropolitan areas hasn't yet been met.

Mr. McDONOUGH. Of course, you have a cycle there to consider. You had a lot of young men returning from war, getting married, raising families. The birthrate will have a lot to do with that, won't it?

Mr. COOGAN. True, but I am trying to make the point that we are overbuilding in the areas where the financing is available and because the financing isn't available, other areas are being neglected.

Mr. McDONOUGH. Then what you mean to say is if the financing is made available in these areas, that the building will go ahead and it should go ahead?

Mr. COOGAN. Yes, until we catch up in these backward areas.

Mr. BARRETT. Mr. Coogan, would you be willing to go on record indicating in what areas we are overbuilt?

Mr. COOGAN. No, SIR. My life wouldn't be worth living.

Mr. WIDNALL. Mr. Coogan, don't you believe the Voluntary Home Mortgage Corporation could perform a great service in that field if the lending institutions finally avail themselves of what is there?

Mr. COOGAN. It is true, but the lending institutions have an allocation for mortgages anyway. Are they going to lend that direct through their regular correspondents or one correspondent or are they going to take it away from that? All of them have been helpful in taking a share away and putting it to these neglected areas that are coming in. It is a very difficult thing and it needs more support than I think it can get as a voluntary program. I am expressing my personal views on that.

Mr. WIDNALL. Thank you very much.

Mr. O'HARA. Mr. Coogan, when can we look forward to having homes within the financial reach of our people of modest circumstances? When may we hope to reach that objective?

Mr. COOGAN. Well, I don't know.

Mr. O'HARA. Are we making progress?

Mr. COOGAN. We are making progress. We are running into supplementary and side problems as to community facilities, which you gentlemen helped us with, with the new community-facilities program. We are running out of usable land. We are running into areas now where we have a terrific cost to develop the land to build the necessary housing.

All you have now in New York is single-family housing, 40 or 50 miles from New York.

Mr. O'HARA. When we passed the housing bill of 1949, I thought the most hopeful feature of it was that providing for research in order that we might have research going through the years to find possibly new ways of construction, new kinds of housing, new ways of financing, so that we could bring housing down within the comfortable reach of all of our people. Now that was wrecked. That was junked. We haven't done very much. I think private industry has, but what suggestion might you make along that line—and I think that is what we are all interested in.

Mr. COOGAN. Well, I think that is going to be developed now. You know it is natural for all of us to take the easiest way and in this housing shortage with good credit terms everyone went along building to the greatest demand and we weren't put to the test of devising new ways and means of solving our problems. We used the easily solvable.

Mr. O'HARA. I think if there is a product that won't sell at 10 cents, but will sell at 5 cents, private industry always has succeeded in producing the 5-cent product. What is holding back private industry from producing homes within the buying power of our families of modest incomes?

Mr. COOGAN. I don't have a specific answer for that. We are trying to meet it..

Mr. O'HARA. You haven't anything to say specifically today?

Mr. COOGAN. No; I think with the necessary financing we are just on the threshold of major technical advances in homebuilding; if we can continue at a reasonable level, I think all of you gentlemen will be surprised. It is a competitive field and each builder has to be lower priced with a better field.

Mr. McDONOUGH. What you mean to say is the houses built 10 years ago are going to be obsolete 10 years from now?

Mr. COOGAN. Probably.

Mr. ASHLEY. What do you mean by "a reasonable level"?

Mr. COOGAN. That crystal-ball figure none of us knows, which is the amount the economy can sustain without overbuilding.

The CHAIRMAN. There is no definite figure on that?

Mr. COOGAN. No, I think it is pure guesswork. My opinion is similar to my friend, Mr. Scully's. For the next 2 or 3 years, somewhere around \$1 million or \$1,100,000 would be a helpful figure, providing whatever we can get in the downtown areas.

The CHAIRMAN. Thank you, Mr. Coogan. You have been helpful. We are going to take a 5-minute break here, and let everybody stretch his legs.

(Recess taken.)

The CHAIRMAN. The committee will be in order, please.

Is Mr. John G. Jewett here?

Come around, please.

This is Mr. John G. Jewett, vice president of the Prudential Insurance Company of America, and he is going to discuss the voluntary home mortgage credit program.

Mr. Jewett, we are glad to have you and you can proceed with your statement.

Mr. JEWETT. All right.

#### STATEMENT OF JOHN G. JEWETT, VICE PRESIDENT, PRUDENTIAL INSURANCE COMPANY OF AMERICA

Mr. JEWETT. My name is John G. Jewett. I am a vice president of the Prudential Insurance Company of America and in charge of the mortgage loan department. Our home office is in Newark, N. J. I am pleased to appear here today in response to your invitation.

In your letter you asked me to discuss warehousing. I will discuss with you the activities of the Prudential, with particular reference to an agreement entered into at the end of 1954 between the Irving Trust Company of New York as agent for a group of banks, and the Prudential Insurance Company of America.

On December 23, 1954, the Irving Trust Company of New York, as managing agent for a group of some 150 banks throughout the Nation, entered into a contract with Prudential to purchase by assignment during the calendar year 1955 up to \$350 million of mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans' Administration.

This contract provided that the mortgages would be closed and serviced by the Prudential. Immediately upon each closing the loan would be assigned to the Irving Trust Co. as agent. The interest rate to the participating banks on these loans is 3½ percent and the Irving Trust Co. receives one-eighth of 1 percent management fee. The

remaining amount of the interest, which to date has been seven-eighths of 1 percent, is retained by the Prudential for its services in connection with obtaining, closing, and servicing of the mortgages.

The Prudential agreed to repurchase the mortgages in accordance with the contract, whether they are in good standing or not, not later than June 30, 1956.

At this point, I offer the committee a copy of the agreement between the Irving Trust Co. and the Prudential dated December 23, 1954.

The CHAIRMAN. That can be submitted, not for the record, but as an appendix to the statement. It is too long to incorporate in the record.

Go ahead, Mr. Jewett.

Mr. JEWETT. The Prudential operates through mortgage loan offices located in 28 cities in the United States and Canada, which are supervised from 6 regional home offices, in addition to Newark. These regional home offices are located in Los Angeles, Toronto, Houston, Jacksonville, Minneapolis, and Chicago.

The 28 mortgage loan offices supervise production offices located at strategic points, and in addition, we have mortgage loan appraisers located in many cities where there is not a full-fledged mortgage loan office.

The Prudential does not operate through correspondents in the same way as do most institutional investors. The employees of our mortgage loan offices across the country are salaried, and in many instances are authorized, according to standards which have been adopted by our board of directors, to issue mortgage loan commitments to individual applicants on one-family houses. Where loans are being made in large tract developments Prudential issues commitments to the builder for various amounts, depending upon the type of sale which may be finally negotiated.

For instance, in a development of \$10,000 houses, we agreed to make mortgages guaranteed by the Veterans' Administration up to 100 percent of the sale price in the past, and up to 98 percent at the present time. An FHA loan might be for \$9,000 or less, depending upon conditions. A conventional loan to an individual purchaser, not guaranteed by a Government agency, might be from \$6,500 to \$7,500. The multiple commitment is issued so that the ultimate purchaser may have some choice as to the type of financing.

When a commitment has been issued in the field or by a mortgage loan office, or by a regional home office, it is reported to the corporate home office in Newark. The length of time between the start of negotiation for a loan and the actual commitment may be a number of weeks. There is an additional period of elapsed time between the issuing of the commitment in the field and the reporting of the case to our board of directors. It should be pointed out that the Prudential has on its books 475,000 mortgage loans, the average size of which is about \$10,500.

The moneys available to the Prudential for investment each year are as a result of the receipts from premiums on policies and contracts, and amortizations and interest payments on existing investments. Each year, there is allocated a certain percentage of this income to the mortgage loan department for new loans. An allocation is also made to our bond investment department.

In the early part of 1954, mortgage-loan authorizations and mortgage-loan disbursements were well within the amount of money available and allocated for new mortgage loans. This was because the demand for mortgage funds during that period was somewhat limited and our mortgage-loan commitments and disbursements were running at a rate considerably below the amount necessary in order to take care of investible funds.

However, shortly after the middle of the year, mortgage-loan commitments mounted rapidly and in the latter part of September we advised our field force that it would be necessary to curtail the volume of new business. Once new business starts to flow in rapidly, and there is a great demand for mortgage money, it takes some time to slow it down and, as a result, new loan approvals which during the first 6 months of 1954 amounted to only \$180 million, as of December 1, 1954, had reached \$1,234 million. Average approvals during the first 6 months were \$80 million a month. During the next 5 months they averaged \$151 million a month, and the forecast for the month of December was another \$125 million.

Inasmuch as most of the loans approved in the latter part of any year are not disbursed until the following year, it appeared that we would have on our books commitments for approximately \$700 million of mortgage loans for disbursement after January 1, 1955, and, incidentally, that is about twice what we consider normal. We have been running about \$350 million a year, and that amount increases a little each year as our funds available for investment increase, and that is as compared with an allocation of \$700 million for new mortgages for the entire year 1955. It could be seen, therefore, that because of the moneys for which we were committed, it would not be possible during 1955 to commit any further loans for 1955 disbursement. This would mean partial withdrawal from our normal mortgage-lending activities.

One of the considerations affecting our decision to enter into this agreement was a projection of Prudential investible income for the next several years which indicated that we could absorb the \$700 million of commitments outstanding in a period of approximately 2 years, without materially affecting our normal future commitments for new mortgages during that period. For example, during the year 1955 there was allocated for new mortgage investments in the United States \$700 million, whereas in 1956 there has been allocated for the same purpose \$900 million.

I would like to point out to the committee that this agreement between the Irving Trust Co. and the Prudential does not provide for a loan to the Prudential secured by mortgages that the Prudential makes, but specifically provides for the sale of mortgages to the bank as the agent, and that the aggregate amount of such sales cannot exceed \$350 million. This means therefore that this is not a revolving fund.

During the year 1955 to date we have sold to the Irving Trust Co. as agent mortgages in the amount of \$266 million. It is not likely that the total amount of mortgages sold under this agreement will exceed \$300 million.

In your letter inviting me to appear at this hearing you also asked me to discuss the voluntary home mortgage credit program.

The Prudential has participated actively in the program from the outset and has, up to the present time, agreed to make 2,050 loans for \$15,780,064. We will continue to be active in this field.

I will, of course, be glad to answer any questions which the committee may care to ask me and furnish any additional information you may desire.

(The following data were submitted by the witness:)

IRVING TRUST COMPANY, a New York corporation having its principal place of business at One Wall Street, New York 15, New York, individually (hereinafter called IRVING), and IRVING as AGENT for each co-participating bank which becomes a party hereto as hereinafter provided (hereinafter called AGENT), and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation having its principal place of business at 763 Broad Street, Newark 1, New Jersey, (hereinafter called PRUDENTIAL), in consideration of the mutual agreement herein contained do hereby on December 23, 1954, enter into the following Agreement:

1. As used herein the term:

i "Note" shall include a bond if it be the custom to obtain bonds in the locality where the mortgaged property is situated

ii. "Mortgage" shall include a deed of trust or other form of instrument customarily used to encumber real property as security for FHA or VA residential mortgage loans in the locality in which the property is situated.

iii. "Mortgagor" shall include any maker(s) of a mortgage, whether designated as mortgagor(s), trustor(s) or otherwise, and the successor(s) thereof in ownership of the encumbered property.

iv "Mortgagee" shall include the beneficiary under any deed of trust and grantee under any other form of real estate security instrument.

v. "FHA" shall mean wherever applicable the Federal Housing Commissioner or the Federal Housing Administration, and "FHA mortgage" shall mean a mortgage insured by the Federal Housing Commissioner, pursuant to Section 203 of Title II of the National Housing Act, as amended, and the rules and regulations thereunder.

vi. "VA" shall mean wherever applicable the Administrator for Veterans Affairs or the Veterans Administration, and "VA mortgage" shall mean a residential mortgage loan guaranteed pursuant to Section 501 of the Servicemen's Readjustment Act of 1944, as amended, and the regulations thereunder

vii. The term "co-participating bank" as used herein shall mean IRVING and any other financial institution which has executed and delivered to the AGENT, and through the AGENT to PRUDENTIAL, a Co-participation Agreement, and which thereby commits itself to furnish to IRVING, for the purposes and on the terms herein set forth, a specified portion of the funds which will be used to purchase mortgages from PRUDENTIAL pursuant to paragraph 7 hereof

viii The term "Co-participation Agreement" shall mean an agreement in substantially the form annexed hereto as Exhibit A.

2. PRUDENTIAL already owns loans secured by first mortgages on parcels of improved real estate located throughout the United States and has approved and will hereafter approve applications for loans to be likewise secured and will acquire such loans from time to time during the calendar year 1955

3. The co-participating banks and PRUDENTIAL desire that some of such loans secured by mortgages on real property located outside of the State of New York shall be sold by PRUDENTIAL to, and serviced by PRUDENTIAL for, the AGENT in the manner hereinafter provided for the account of the co-participating bank or banks (acting in all respects hereunder by and through the AGENT) to which such loans are allocated by the AGENT under its agreement with its co-participants.

4. PRUDENTIAL represents and warrants as to each mortgage loan sold by PRUDENTIAL pursuant hereto as of the time of such sale that:

i PRUDENTIAL is an FHA approved mortgagee and a lender fully eligible to have loans made by it guaranteed by VA

ii As a corporation it is duly qualified and authorized to do business, and is in good standing, in each State in which it has acquired, or will acquire, such mortgage loan or service the same.



in It has corporate power to make this Agreement and to perform all acts and assume all obligations herein undertaken by PRUDENTIAL

iv It has taken any corporate action necessary to authorize it to acquire, sell, service and repurchase the mortgage loans provided for in this Agreement

v. Each mortgage loan sold by PRUDENTIAL pursuant hereto:

a Is insured or fully eligible (pursuant to a firm commitment from FHA) for insurance by FHA, or guaranteed or fully eligible (pursuant to a firm commitment from VA) for guarantee by VA to the extent of not less than twenty percent (20%) of the principal amount of such mortgage loan.

b Bears interest at the prevailing rate for such a loan but not less than the rate of four and one-quarter percent (4¼%) per annum,

c Is evidenced and secured by the mortgagor's note and mortgage naming PRUDENTIAL as payee and mortgagee or is received and held by PRUDENTIAL under and by virtue of a valid transfer and assignment cable requirements of the National Housing Act or the Servicemen's Readjustment Act of 1944 as amended, and the respective rules and regulations thereunder relating to the insurance and guarantee of mortgages, and is and will be held by PRUDENTIAL for the owner coparticipating bank or banks as herein provided

d Is supported by evidence (in form generally acceptable to mortgage lenders in the locality in which the mortgaged property is located) that the mortgagor's title to the property and the validity and priority of the mortgage lien satisfy and in all respects comply with all applicable requirements of the National Housing Act or the Servicemen's Readjustment Act of 1944 as amended, and the respective rules and regulations thereunder relating to the insurance and guarantee of mortgages, and is and will be held by PRUDENTIAL for the owner coparticipating bank or banks as herein provided

In further evidence of the correctness as of the present time of the representations and warranties of PRUDENTIAL contained in subparagraphs i, ii, iii, and iv of this paragraph 4, PRUDENTIAL is submitting to the AGENT simultaneously the legal opinion of its General Counsel or General Solicitor

5 Promptly upon sale of each mortgage loan pursuant hereto, PRUDENTIAL will (if such mortgage loan is not already insured or guaranteed) procure insurance thereof by FHA, or guarantee thereof by VA to the extent of not less than twenty percent (20%) of the principal amount of such mortgage loan, and for such purpose will procure such other documents and take, or cause to be taken, such action as may be necessary. If for any reason whatsoever the FHA refuses to insure the mortgage loan or VA refuses to guarantee it to such extent, PRUDENTIAL shall forthwith repurchase such mortgage loan from the coparticipating bank or banks owning the same by paying to the AGENT the unpaid principal amount of such mortgage loan together with accrued interest thereon from the date to which interest has been paid to the AGENT, or if no interest has been paid to the AGENT from the date of sale to the AGENT, to the date of such repurchase, at the rate of three and one-half percent (3½%) per annum

6 PRUDENTIAL will procure upon acquiring each mortgage loan sold pursuant hereto, and will maintain in force during the period of the ownership by the coparticipating bank or banks of such mortgage loan, fire and extended coverage insurance, with mortgagee's loss payable clause naming PRUDENTIAL as mortgagee, in an amount not less than the insurable value of the improvements on the mortgaged property

7 Such mortgage loans hereafter made or purchased by PRUDENTIAL shall be made or purchased for its own account. In so doing PRUDENTIAL shall disburse the proceeds of such mortgage loan to or for the account of the mortgagor or (if such mortgage is already in existence and is purchased by PRUDENTIAL) to or for the account of the holder from whom such mortgage is being purchased, by drawing upon PRUDENTIAL's account with IRVING

Mortgage loans presently owned or hereafter made or purchased by PRUDENTIAL, which are to be sold to the AGENT pursuant hereto shall be selected and designated by PRUDENTIAL and as to each such mortgage loan the following requirements shall apply:

1. In consummating such sale the AGENT shall upon request of PRUDENTIAL, deposit to the credit of PRUDENTIAL's account with IRVING a sum equivalent to the unpaid principal amount of each such mortgage loan so sold to the AGENT.

ii PRUDENTIAL shall, promptly upon sale of such mortgage loan, (a) advise the AGENT of the amount of the loan and of the monthly instalment to be paid on account of interest and principal, the maturity date thereof, the name of the mortgagor, the location and street address of the property, and whether the note and mortgage name PRUDENTIAL as payee and mortgagee or were purchased by PRUDENTIAL by assignment from the originating mortgagee or other owner and holder of the note and mortgage, and (b) in each VA loan forward to the AGENT a copy of the VA Certificate of Reasonable Value and a copy of the property appraisal report of PRUDENTIAL's appraiser. The AGENT will when necessary cause such data to be examined promptly by the appropriate appraisers and will advise PRUDENTIAL in writing within ten (10) days after receipt thereof if the property does not satisfy the co-participating banks' appraisal requirements for a VA mortgage loan to be purchased from PRUDENTIAL pursuant hereto. Every such VA loan as to which no such advice is given shall be deemed accepted.

iii Each sale of a mortgage loan hereunder shall be made by PRUDENTIAL to the AGENT for the account of the co-participating bank or banks and the effective date of such sale shall be the date of the deposit by the AGENT in respect of such mortgage loan to the account of PRUDENTIAL with IRVING. Each such mortgage loan shall be serviced by PRUDENTIAL, pursuant to this Agreement, for the account of the co-participating bank or banks to which such mortgage loan shall be allocated by the AGENT; provided, however, that PRUDENTIAL shall, if requested by the AGENT, deliver to the AGENT the insured or guaranteed note and mortgage (as soon after such request as the same are available for delivery), together with an assignment thereof to the AGENT or to such co-participating bank as the AGENT shall designate, and the title evidence and any other documents held by PRUDENTIAL which may be necessary to properly and adequately complete such assignment, and PRUDENTIAL and such assignee shall, if such mortgage be insured by FHA, give FHA such notice as may be required by FHA Rules and Regulations in respect of such transfer and assignment. Until receiving such a request by the AGENT in respect to any one or more of such FHA or VA mortgage loans, PRUDENTIAL agrees to hold the record title thereto in its name, and all documents evidencing or pertaining thereto in its possession, without transfer or impairment thereof of any kind and the AGENT, and by becoming a party to this Agreement each co-participating bank including IRVING, agrees that PRUDENTIAL may do so.

iv If the AGENT shall advise PRUDENTIAL pursuant to subparagraph ii of this paragraph 7 that the property securing any VA mortgage loan does not have sufficient value to qualify as security for a VA mortgage loan to be purchased from PRUDENTIAL pursuant hereto, PRUDENTIAL shall forthwith pay to the AGENT the amount paid to PRUDENTIAL for such mortgage loan with interest thereon from the date of sale thereof to the date of such payment to the AGENT at the rate of three and one-half per cent. (3½%) per annum. Any such mortgage loan not accepted as aforesaid shall, upon such payment by PRUDENTIAL to the AGENT, become and remain the sole and exclusive property of PRUDENTIAL and shall thereafter not be subject to any of the provisions of this Agreement.

PROVIDED, HOWEVER, that the aggregate amount deposited by the AGENT to the credit of PRUDENTIAL's account with IRVING, for the purchase from PRUDENTIAL of VA mortgages which remain to be accepted by the AGENT, shall not at any time exceed TWENTY-FIVE MILLION DOLLARS unless the AGENT shall consent to so deposit sums in excess thereof.

8 i The co-participating banks will furnish funds to the AGENT, to purchase mortgage loans from PRUDENTIAL for their account pursuant to this Agreement, in such amounts and at such times as shall be required by the AGENT in order to comply with PRUDENTIAL's requests for the deposit of funds to the credit of PRUDENTIAL's account with IRVING pursuant to paragraph 7 hereof, provided, however, that

a the co-participating banks shall not be required to furnish funds for such purpose in excess of the aggregate sum of THREE HUNDRED FIFTY MILLION DOLLARS

b no co-participating bank, including IRVING, shall be required to furnish funds for such purpose in excess of the aggregate sum specified in its Co-participation Agreement with the AGENT,

c. no co-participating bank shall be required to furnish funds for such purpose after December 31, 1955.

ii. The AGENT shall deliver to the PRUDENTIAL promptly after receipt thereof from each co-participating bank an executed counterpart of the Co-participation Agreement signed by such bank. The obligation of the co-participating banks to furnish funds pursuant to such Co-participation Agreements shall be several and not joint; and the failure of any one or more co-participating banks to fulfill its commitment will not relieve any other co-participating bank from the full amount of its commitment. This Agreement shall become effective upon its execution by PRUDENTIAL and IRVING and shall become effective with respect to each co-participating bank upon receipt by PRUDENTIAL from the AGENT of the executed counterpart of the Co-participation Agreement of such co-participating bank.

iii. If one or more of the co-participating banks shall fail to make available to the AGENT, as herein provided, the funds agreed to be furnished by such co-participating bank or banks, then the AGENT may, but shall not be obligated to, arrange for one or more other financial institutions (which may be of may include one or more of the non-defaulting banks) to furnish, in such proportions as the AGENT may determine, the funds agreed to be furnished hereunder by the defaulting co-participating bank or banks; and unless the AGENT shall make such arrangements, PRUDENTIAL may at its option do so. Each financial institution (including any non-defaulting co-participating bank) which shall propose to furnish all or any part of the funds agreed to be furnished by a defaulting bank shall execute and deliver to the AGENT a Co-participation Agreement requiring it to furnish such funds on the terms of this Agreement, and upon receipt by PRUDENTIAL of an executed counterpart of such Co-participation Agreement such financial institution shall become a party to this Agreement with like effect as if it had originally agreed to furnish such funds hereunder. No such substitution of one or more financial institutions in place of a defaulting co-participating bank shall relieve the defaulting co-participating bank of any liability which it may have to PRUDENTIAL by reason of its default.

9. PRUDENTIAL has represented that it fully intends to request the AGENT to deposit to the credit of PRUDENTIAL's account with IRVING for the purchase of mortgage loans from PRUDENTIAL pursuant to this Agreement not less than the sum of SEVENTY-FIVE MILLION DOLLARS between January 1, 1955, and June 30, 1955, and not less than ONE HUNDRED FIFTY MILLION DOLLARS during the entire year 1955, and PRUDENTIAL agrees to pay commitment fees to the AGENT of one-half of one per cent ( $\frac{1}{2}$  of 1%) of the amount, if any, by which SEVENTY-FIVE MILLION DOLLARS exceeds the aggregate sums which PRUDENTIAL requests the AGENT to so deposit to PRUDENTIAL's credit between January 1, 1955 and June 30, 1955, and one-half of one per cent. ( $\frac{1}{2}$  of 1%) of the amount, if any, by which ONE HUNDRED FIFTY MILLION DOLLARS exceeds the aggregate sums which PRUDENTIAL requests the AGENT to so deposit to PRUDENTIAL's credit during the entire year 1955; provided, however, that PRUDENTIAL shall be under no obligation to pay any commitment fees to the AGENT unless by February 1, 1955 the AGENT shall have entered into Co-participation Agreements providing for the furnishing by co-participating banks of not less than SEVENTY-FIVE MILLION DOLLARS for the purposes of this Agreement, nor unless by March 1, 1955, the AGENT shall have entered into such agreements providing for the furnishing by co-participating banks of not less than ONE HUNDRED FIFTY MILLION DOLLARS.

10. i. On or before June 30, 1956 PRUDENTIAL shall repurchase from the co-participating banks and the coparticipating banks shall sell to PRUDENTIAL all mortgage loans theretofore sold by PRUDENTIAL as hereinabove provided. Upon payment by PRUDENTIAL to the AGENT of the amount hereinafter provided such repurchase by Prudential from the coparticipating bank or banks shall be deemed to be fully effectuated without necessity for the delivery of any further documents, provided, however, that if PRUDENTIAL (pursuant to paragraph 7 (iii) hereof) shall have executed and delivered an assignment of any such mortgage loan and/or delivered any documents in connection therewith to the AGENT or to any coparticipating bank, the AGENT or such coparticipating bank as the case may be will cause to be executed in favor of and delivered to PRUDENTIAL an assignment of such mortgage loan and/or will cause to be delivered to PRUDENTIAL any and all documents which PRUDENTIAL theretofore delivered to the AGENT or to such coparticipating bank and if such mortgage be insured by FHA will give to FHA such notice as may be required by the FHA Rules and Regulations in the case of such transfer, and the AGENT or such coparticipating bank as the case may be hereby warrants to PRUDENTIAL as to any such mortgage loan and as of the time of such repurchase thereof by PRUDENTIAL that during the period it held any such assignment or other documents in connection therewith it did not release any part of the mortgaged property from the lien of the mort-

gage, or impair the validity or priority of the lien thereof, or release any person liable for payment of the note, or perform any act or fail to take any action, which act or failure impaired the validity or enforceability of the FHA insurance or VA guaranty

i. The repurchase price to be paid by PRUDENTIAL for each mortgage loan repurchased from the coparticipating bank or banks owning the same shall be the amount paid to PRUDENTIAL therefor less all amounts paid to the AGENT on account of principal, together with an amount equal to interest thereon from the date to which interest has been theretofore paid to the AGENT, or if no interest has been paid to the AGENT from the date of sale to the AGENT, to the date of such payment of the repurchase price at the rate of three and five-eighths per cent (3 $\frac{5}{8}$ %) per annum

ii PRUDENTIAL may at any time and from time to time prior to June 30, 1956 repurchase such mortgage loans from the coparticipating banks in such blocks or groups aggregating such amounts as PRUDENTIAL selects, and each coparticipating bank agrees to sell to PRUDENTIAL such mortgage loans. As of the following dates PRUDENTIAL shall have repurchased such mortgage loans from the coparticipating banks in not less than the following proportions of the aggregate principal amount of mortgage loans sold by PRUDENTIAL pursuant hereto:

- Ten per cent. (10%) on or before January 31, 1956
- Twenty per cent. (20%) on or before February 28, 1956
- Thirty per cent. (30%) on or before March 31, 1956
- Forty per cent. (40%) on or before April 30, 1956
- Fifty per cent. (50%) on or before May 31, 1956
- One Hundred per cent. (100%) on or before June 30, 1956

11 If, with respect to any mortgage loan sold by PRUDENTIAL pursuant hereto, any event of default shall occur under the terms of the note or mortgage and such default shall not be cured within ninety (90) days after it occurs, PRUDENTIAL shall repurchase such mortgage loan from the coparticipating bank or banks by paying to the AGENT the repurchase price specified in subparagraph ii of paragraph 10

12. The obligation of PRUDENTIAL to repurchase such mortgage loans from the co-participating banks within the times herein provided shall not be altered, impaired, reduced or in any manner affected by any act or default of PRUDENTIAL or of the mortgagor or any other person (other than any act or default of the AGENT or any co-participating bank in breach of any warranty contained herein or in a Co-participation Agreement, it being understood that for the purposes of this paragraph no act or failure to act by PRUDENTIAL under this Agreement or the result or consequences thereof shall be attributed to or be deemed to be an act of the AGENT or any co-participating bank), nor by any actual or purported defect in or impairment or reduction of the FHA insurance or VA loan guaranty, nor by any destruction or deterioration of or damage to any property securing the mortgage loan from any cause whatsoever, nor by any actual or purported defect in the mortgagor's title to the property or in the adequacy, validity or priority of the mortgage lien or any obligation or security given to or held by PRUDENTIAL in connection with any such mortgage loan.

13 Each mortgage loan sold by PRUDENTIAL pursuant to this Agreement shall be serviced by PRUDENTIAL for the account of the co-participating banks until PRUDENTIAL repurchases the mortgage loan as hereinabove provided. Such servicing shall include the collection of all amounts required to be paid by the note and mortgage and any other payments received by PRUDENTIAL on account of principal and interest, and the disbursement, in accordance with those instruments, of instalment deposits paid by the mortgagor to meet accruing charges for taxes, assessments and insurance premiums. In the servicing of the mortgage loans for the co-participating banks PRUDENTIAL shall in all other respects perform and observe all duties and conditions which the FHA and VA rules and regulations require to be performed and observed by a holder of mortgages insured or guaranteed pursuant thereto, as well as any duties that under the circumstances of any particular mortgage loan might reasonably seem to be necessary for protection of the mortgage security or collection of the mortgage loans. PRUDENTIAL also shall keep such books and records as are adequate at all times completely to identify the mortgage loans sold to the co-participating banks hereunder and the status of such loans

On the fifteenth day of each month (herein referred to as the "remittance day"), commencing February 15, 1955 and continuing, as to each such mortgage

loan, until such mortgage loan shall have been repurchased by PRUDENTIAL, PRUDENTIAL shall remit to the AGENT all obligatory amortization payments which accrued on the mortgage loan between the sixteenth day of the preceding month and the remittance day (both inclusive), together with accrued interest on the outstanding principal amount of the mortgage loan at the rate of three and five-eighths per cent (3 $\frac{5}{8}$ %) per annum from the date to which interest has been theretofore paid to the AGENT, or if no interest has been paid to the AGENT from the date of sale to the AGENT, to the remittance day. The outstanding principal amount of each mortgage loan shall be determined, for this purpose, by deducting from the purchase price paid to PRUDENTIAL therefor the total amount of amortization payments remitted to the AGENT from time to time. The difference between interest at the rate of three and five-eighths per cent (3 $\frac{5}{8}$ %) per annum and the amount of interest collected by PRUDENTIAL from the mortgagor shall constitute a service fee which PRUDENTIAL shall retain as compensation for servicing the mortgage loan for the co-participating banks.

14 As and when each mortgage loan is repurchased by PRUDENTIAL from any co-participating bank or banks, such loan shall become and remain the sole and exclusive property of PRUDENTIAL and thereafter shall not be subject to any of the provisions of this Agreement, nor shall any co-participating bank have any further interest in any such mortgage loan so repurchased.

15 IRVING hereby represents and warrants to PRUDENTIAL:

That it has corporate power to make this Agreement, individually and as AGENT, and to perform all acts and assume all obligations herein undertaken by IRVING, whether individually or as AGENT, and that it has taken any corporate action necessary to authorize it to enter into this Agreement. As evidence of the correctness as of the present time of these representations and warranties, IRVING is submitting to PRUDENTIAL simultaneously herewith a copy of the legal opinion of counsel for IRVING.

16 Each co-participating bank hereby represents and warrants to PRUDENTIAL and to the AGENT:

i. That it has corporate power to enter into its Co-participation Agreement with the AGENT, and that it has taken any corporate action necessary to authorize it to enter into such agreement with the AGENT.

ii. That it has fully and irrevocably authorized the AGENT to enter into this Agreement for and on its behalf, and to act for it in any and all matters arising out of or under this Agreement to the extent provided for herein or with regard to any interest it has in any mortgage loan, including the receipt and collection from PRUDENTIAL by the AGENT of all payments on account of interest and principal on such mortgage loan and all sums paid by PRUDENTIAL to the AGENT as consideration for the repurchase of mortgage loans as hereinabove provided.

iii. That it is, and throughout the life of this Agreement will continue to be, an FHA approved mortgagee and that it is fully eligible to invest in and hold VA mortgages.

17 The AGENT and each co-participating bank hereby covenants with and warrants to PRUDENTIAL that it will not hypothecate or pledge any of such mortgage loans or any interest therein or any document which may be delivered to or held by it in connection therewith, nor will it sell or assign to or otherwise permit the acquisition of any such mortgage loan or document by any person or corporation, other than the co-participating bank or banks.

18 The AGENT agrees that each FHA mortgage purchased by the AGENT pursuant hereto shall be allocated to one of the co-participating banks, in toto, and that no partial interest in any FHA mortgage, or group of FHA mortgages, will be allocated or disposed of by the AGENT to any co-participating bank or to any other person or corporation. This paragraph shall be deemed eliminated herefrom if PRUDENTIAL gives written notice to such effect to the AGENT.

19 Each demand, notice, or other communication concerning this Agreement which PRUDENTIAL desires to communicate to IRVING or to the AGENT or to any co-participating bank shall be addressed to the AGENT at its above address or to such other address as the AGENT may hereafter designate in writing and each demand, notice, or other communication concerning this Agreement directed to PRUDENTIAL shall be addressed to PRUDENTIAL at its above address or to such other address as PRUDENTIAL may hereafter designate in writing to the AGENT.

IN WITNESS WHEREOF, IRVING, both individually and as AGENT, and PRUDENTIAL have caused this Agreement to be executed by their duly authorized officers and their corporate seals affixed hereto as of the date first above written.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,  
By W. W. TATLOCK, *Vice-President*.

Attest:

W. D. NEESTON,  
*Assistant Secretary*.

IRVING TRUST COMPANY,  
Both individually and as Agent,  
By NOLAN HARRIGAN, *Senior Vice-President*

Attest:

DAVID K. DAIRY,  
*Assistant Secretary*.

#### EXHIBIT A

#### CO-PARTICIPATION AGREEMENT

December , 1954

GENTLEMEN. Attached as Exhibit A hereto is a copy of a certain agreement (hereinafter called the Prudential Agreement) dated as of December 23, 1954, between The Prudential Insurance Company of America (hereinafter called Prudential) and ourselves (both individually and as Agent for all co-participating banks which may become parties thereto as therein and herein provided), providing for the sale by Prudential to the Agent for account of such co-participating banks of FHA insured and VA guaranteed mortgage loans as therein described up to an amount not exceeding Three Hundred Fifty Million (\$350,000,000) Dollars in the aggregate, and for the repurchase thereof by Prudential, all subject to the terms and conditions therein contained.

We understand that you would like to become a co-participant with us, on the terms herein and in the Prudential Agreement set forth, in such purchase of mortgage loans up to an amount not exceeding

(\$ ) Dollars in the aggregate; and we agree to such participation by you and set forth below the further terms thereof, viz:

1. We agree to serve as the Agent under the Prudential Agreement, and to use reasonable efforts to perform all duties imposed on us thereunder and hereunder. As one of our duties, we will maintain such records as are necessary at all times to show the interests of each of our co-participants in the mortgage loans outstanding under the Prudential Agreement, based on the information as to such loans received by us from Prudential, and forward to you from time to time such advices as you may reasonably request. It is agreed, however, that Prudential shall retain the care and custody of all mortgage documents in connection with the performance of its duties under the Prudential Agreement and that we may confirm such arrangement with it in your behalf.

2. Promptly upon receipt by us of a request for funds by Prudential, we will advise you of the amount to be furnished by you; and you will immediately provide us with Federal Reserve or other immediately available funds in the amount specified, unless we shall then hold in deposit account for you the requisite funds, in which event we are hereby authorized to debit your account for the amount specified. Upon the receipt of such funds by us, we will pay the same to Prudential in the manner and for the purposes specified in the Prudential Agreement and forward to you an appropriate confirmation of such receipt and payment.

3. Your portion of the total funds to be furnished in each such instance will be substantially the percentage of the total amount established by the ratio of your total commitment hereunder to the then total amount of the commitments of all co-participating banks, subject only to such variation as is hereinafter provided for.

4. It is our desire to avoid whenever possible the allocation of entire mortgage loans to a single co-participating bank. However, we reserve the right to make such specific allocation to any co-participating bank or banks whenever we consider it necessary or desirable to do so. Thus, in the case of national banks, we expect to make such specific allocation because of the legal restrictions to which they are subject in the holding of part interests in mortgage loans. We also may wish to effect specific allocations in the case of certain state banks, because of applicable restrictions as to location of

the underlying real estate, or, in the case of FHA mortgage loans, because of the existing regulatory restrictions relating to the transfers of part interests therein. All mortgage loans not specifically allocated will be considered as held by us in a mortgage pool for, and in accordance with the respective interests of, all co-participating banks having an interest therein. Allocations of mortgage loans will be made by us promptly upon receipt of the necessary identifying mortgage data from Prudential.

5. In the allocation or re-allocation of any mortgage loan or interest therein hereunder, it will be assumed by us for all purposes of this agreement that all mortgage loans possess like quality and attractiveness for each dollar of the amount thereof. The terms "allocate" and "allocation" as used herein mean, except where the context otherwise requires, the initial transfers by us of mortgage loans either to particular co-participants or to the mortgage pool; and the terms "reallocate" and "reallocation" as used herein mean the subsequent transfers of mortgage loans, or interests therein, from one or more co-participants to one or more co-participants, including ourselves.

6. We will distribute to each co-participant promptly after receipt from Prudential its proper share of monthly interest at the rate of three and one-half percent ( $3\frac{1}{2}\%$ ) per annum (the difference between said rate and the rate specified in the mortgages being the service fee of Prudential and our own service fee of one-eighth of one percent ( $\frac{1}{8}$  of  $1\%$ ) per annum) and monthly amortization payments, which, in the case of specifically allocated mortgage loans, will be the entire amount of such payments and in the case of pool mortgage loans will be the co-participant's pro rata portion thereof. We will also distribute to each co-participant promptly its pro rata share of any commitment fee received by us from Prudential.

7. As to all other payments received from Prudential, we will credit the amount thereof to the mortgage loan or loans on account of which such payments are received, but in order to maintain the interests of all co-participants in unpaid mortgage loans substantially on a pro rata basis, we will make prompt distribution of such payments on substantially a pro rata basis to all co-participants without regard to ownership of the mortgage loan or loans in respect of which such payments were received. We also at such time, and at the time of any other action hereunder requiring a reallocation of mortgage loans or interests therein, will make such reallocation of mortgage loans and readjustment of interests therein as may be required, and will promptly make any payments or refunds due to co-participating banks.

8. Notwithstanding the foregoing provisions with respect to the pro rata furnishing of funds to Prudential and the pro rata distribution of payments (other than amortization) received from Prudential on principal or in repurchase of mortgage loans, we hereby reserve the right to depart from this procedure whenever the particular circumstances are such as to seem to us to warrant such departure. Thus, in order to avoid the necessity for making small distributions of such payments, we may apply temporarily such amounts in reduction of our own participation; and when the funds requested by Prudential are small, or during any period prior to the receipt by us from Prudential of the identifying mortgage data, we may temporarily increase our own participation by ourselves furnishing the funds requested. Also whenever the mortgage loans tendered by Prudential for purchase are not of such number or nature as to enable us, with reallocation of outstanding mortgage loans, to make a pro rata allocation of mortgage loans to all co-participating banks, it is understood that we may make such allocation of such further mortgage loans as seems to us at the time to be appropriate. However, we will endeavor in good faith, as far as practicable, to maintain the interests of all co-participating banks, including ourselves, on a substantially pro rata basis in accordance with the respective total commitments of such banks; and, in the event of any such increase or decrease in our own interest or that of any other co-participant, we shall endeavor to restore such pro rata basis as soon as feasible, either at the time of receipt from Prudential of additional payments of such nature or at the time of a request by it for additional funds.

9. With respect to any required real estate appraisals in the case of VA mortgage loans, it is essential, in order for us to meet the ten day notice provision contained in Paragraph 7 of the Prudential Agreement, that all co-participating banks requiring such appraisals designate the same individuals as appraisers as are designated by us, to the end that each appraisal

made by such individuals may be considered as an appraisal for each of the co-participating banks concerned. The individuals used by us in this connection are Messrs Grant W Van Saun, Charles H Lafferandre, Edward D. Wilson, Burton B Brown, Walter G Eichler and James V Tomai, Jr., any two of whom are authorized and empowered to make any required appraisal, and if in your case any such appraisals are required, your execution of this letter agreement will be deemed an appointment by you of such individuals as such appraisers with the right on the part of any two of them to make any appraisal required.

10. Upon our delivering an executed counterpart hereof to Prudential, you will become a party to the Prudential Agreement as therein provided, with all the rights and liabilities of a co-participating bank thereunder. It also is understood that by executing and delivering this agreement, you hereby make all representations and warranties required in respect of a co-participating bank under the Prudential Agreement and also make all such delegations of authority to Prudential as may be necessary to enable it fully to perform and discharge all its undertakings thereunder. You also hereby specifically represent to us that you are, and agree with us that you will continue to be throughout the life of the Prudential Agreement, an approved FHA mortgagee and fully eligible to invest in and hold VA mortgages. You also hereby agree promptly to give or furnish all such further documents or instruments, and to do all such acts and things, as either Prudential or we as Agent, may reasonably request in connection with the Prudential Agreement or hereunder.

11. It is understood and agreed that as agent bank we shall be fully authorized and empowered to take any and all action that we may consider necessary or desirable either to give effect to the rights of Prudential under the Prudential Agreement or to protect or enforce your rights as against Prudential or any other party. We, however, shall not be required to institute any court action or proceeding unless indemnified to our satisfaction or to take any action except such as we in our sole judgment may consider necessary or desirable.

12. We have made no representations with respect to, and shall not in any way be responsible for the accuracy of, the information given or to be given to us by Prudential or any other party, nor for the sufficiency, validity or legal effect of any bond, note, mortgage, appraisal or other paper or guaranty, including the Prudential Agreement; it being understood that our sole responsibility will be to endeavor with due care to perform the duties herein either expressly or by necessary implication imposed upon us as agent bank.

If you desire to become a co-participating bank under, and a party to, the Prudential Agreement on the terms therein and herein set forth, will you please so indicate by signing at the foot of this Co-participation Agreement, which we have executed in triplicate, returning two executed copies to us, and we thereupon will file in your behalf one of such executed copies with Prudential.

Very truly yours,

IRVING TRUST COMPANY,  
as Agent under the Prudential Agreement

By \_\_\_\_\_

*Vice President.*

Attest:

\_\_\_\_\_  
*Assistant Secretary.*

Confirmed and agreed to:

By \_\_\_\_\_

Attest:

Mr. ADDONIZIO. I would like to ask one question.  
The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. I have one question I would like to ask, Mr. Jewett, and first of all I would like to commend the Prudential for its participation in this voluntary home mortgage credit program. I think the Prudential has been one of the leaders in this program. I was wondering if you would have any statistics regarding the percentage of



participation that the Prudential Life Insurance Co. has in the total loans affected by this program.

Mr. JEWETT. Well, we have a slightly different method of reporting. I think there are 5,000 commitments that have been issued throughout the United States. We have issued on our method of figuring 2,000 commitments. However, when we issue a letter of intent, we consider that we are committed. We consider that as an actual commitment.

Mr. ADDONIZIO. Your participation is about 40 percent of the over-all program?

Mr. JEWETT. It is possible somewhat lower than that. It was higher for a while.

Mr. ADDONIZIO. Thank you.

Mr. BARRETT. Mr. Chairman, will the gentleman yield, Mr. Addonizio?

Mr. ADDONIZIO. Yes; surely.

Mr. BARRETT. You reside in Newark; don't you?

Mr. ADDONIZIO. Yes; the greatest little city in the world.

The CHAIRMAN. Mr. Jewett, are you making these voluntary home mortgage credit program loans at par?

Mr. JEWETT. I think in every instance. Excuse me, there is a 1 percent charge allowable under VA.

The CHAIRMAN. Now these other participants, and I guess my figures are out of date—my figures were that there were 3,800 loans and that you had 2,000 of them, but apparently there have been some changes since I had those figures. Are the other participants in the program, to your knowledge, taking them only at heavy discounts?

Mr. JEWETT. I could not say. I think some take them at par and some have discounted them.

The CHAIRMAN. I see.

Mr. JEWETT. We may have discounted some of ours in the field. We do not have a direct control in Newark.

The CHAIRMAN. I am sure the answer is obvious, but I will ask, With your broad experience, do you regard these loans that you are making as good, sound investment risks for Prudential?

Mr. JEWETT. Well, they are loans guaranteed by a Government agency.

The CHAIRMAN. That doesn't answer my question.

Mr. JEWETT. As to the real estate involved behind them, a great many of them have been surprisingly good real estate.

The CHAIRMAN. The thing that I was getting at was the very thing that you pointed out. Would you make these loans or do you give sufficient examination to them to make them or just take it on the guaranteed basis?

Mr. JEWETT. In order to implement the program as rapidly as possible, and because a great many of the loans are really in isolated places, we agreed to waive inspection as of the time of the placing of the loan. We have relied upon the VA and FHA program.

Mr. GAMBLE. What program are you referring to?

Mr. JEWETT. The voluntary one.

Mr. GAMBLE. That is what I thought.

The CHAIRMAN. Now, what percentage of these loans have been made to minority groups, do you know, on the voluntary home mortgage credit program?

Mr. JEWETT. Somewhere in the vicinity of 10 percent, I believe. I am not positive.

The CHAIRMAN. I had a little experience with this voluntary home mortgage credit program in the city of Montgomery, Ala., which is not in my district but in the State capital city of my home State. A builder was trying to build 200 houses for minority groups and, of course, this act which sets up the voluntary home mortgage credit program provides that, in the event this money is not forthcoming for minority groups, that the President shall have authority to set up loans straight out of the Federal Treasury for it but, before that could be invoked, it was necessary to have a sufficient number of requests.

These people approached 13 of the top lending agencies in America and got 13 turndowns for minority groups, and it appeared to me that they were unwilling to make the loans for a minority group.

Is there any feeling against them in this home-mortgage program?

Mr. JEWETT. I don't think there is any. I think it is the opposite.

The CHAIRMAN. I know it is supposed to be the opposite, but I wondered if that had any effect generally other than in your company; do you know?

Mr. JEWETT. I don't believe it has. Some of the other lenders have been quite proud of their lending to minority groups, and this would be certainly an adjunct to such programs.

The CHAIRMAN. I think it would be, and I am very much concerned about it. I think that is the one field where you could really spread out in, certainly in the remote areas of my country.

Do you think that sufficient publicity has been given to the program—I am talking about the builders and all—in the small areas of the country?

Mr. JEWETT. I don't believe so.

The CHAIRMAN. I have never heard of it.

Do you have any suggestion as to how that can be done?

Mr. JEWETT. Well, I believe that the national committee is working on contacts in remote areas, and I believe that a great many more inquiries are beginning to flow in by way of small banks which are the logical source of the inquiries.

The CHAIRMAN. Now, one other question, and that is on the warehousing.

I assume that you approve of the arrangement of warehouse financing in the type of loans that you make?

Mr. JEWETT. Yes.

The CHAIRMAN. Do you think that it is a safe investment for the banks involved?

Mr. JEWETT. Definitely.

The CHAIRMAN. In any particular warehousing arrangement you might make on any particular loan, what collateral, what security does the bank have, other than your good name, which is good?

Mr. JEWETT. The bank has the loan, with the underlying physical securities.

The CHAIRMAN. Well, as I understand it, when the first arrangements are made, the mortgages are not completed; are they?

Mr. JEWETT. Yes, sir.

The CHAIRMAN. All mortgages are completed?

Mr. JEWETT. In this deal that we have every one is closed. The houses are completed, the mortgages are dispersed.

The CHAIRMAN. At the time that you make the warehousing arrangement?

Mr. JEWETT. Yes.

The CHAIRMAN. What is the need to make it if you have the loan completed and the mortgage in your hand?

Mr. JEWETT. The idea was so we would not be in a position in 1955 of curtailing operations, because with \$700 million of those mortgages committed as of January 1, and with \$700 million of funds allocated to the Department for disbursement during the year, we thought it would be wise to place some of those mortgages temporarily with a bank.

The CHAIRMAN. What you do then is different from the other warehousing we have been hearing about. You do institutional warehousing; is that right?

Mr. JEWETT. You might call it that.

The CHAIRMAN. Is yours a deal of holding the mortgages now until your money comes in?

Mr. JEWETT. That's right.

The CHAIRMAN. How long does that arrangement ordinarily run?

Mr. JEWETT. Well, this is the only arrangement we have made, and the contract provides that we will take them up by the end of June 1956.

The CHAIRMAN. In other words, you would have taken those mortgages, then, without the warehousing at all if you had had the financing available at that particular time?

Mr. JEWETT. Yes, sir, we had the financing available, but we did not wish to withdraw entirely from the market in some areas but continued making loans to our regular builders through our regular brokers.

The CHAIRMAN. Would you have been able—had you not had this warehousing arrangement such as it was—those mortgages would have had to have gone on without securing mortgage credit, certainly from you?

Mr. JEWETT. No, I don't think that is quite right. We would have made the loans regardless. We were committed to make the loans. We would have made them. We had the money to disburse during the year, the \$700 million for which we were committed and probably some additional loans because there is always some mortality in any commitment account.

The CHAIRMAN. But you didn't make the loan for what reason?

Mr. JEWETT. Because we wanted to make additional loans.

Mr. BARRETT. You said whether the loans were in good standing or not?

Mr. JEWETT. Yes.

Mr. BARRETT. Let's hear you emphasize the good standing.

Mr. JEWETT. The banks can request us to repurchase the mortgage before scheduled in the contract, if the loan is not in good standing, if the borrower is in default.

Mr. ADDONIZIO. Mr. Jewett, this so-called mortgage warehousing, I believe our previous witness, Mr. Coogan, said he felt it had a stabilizing influence on our economy. I was wondering whether you had any comment to make about that.

Mr. JEWETT. Well, it has a stabilizing influence because you have a more even flow of funds into the market. You could build it up.

Mr. ADDONIZIO. You don't feel it is inflationary whatsoever?

Mr. JEWETT. Well, if carried to extremes, it would be inflationary. If we had decided to warehouse, let us say, \$2 billion instead of \$350 million, that certainly would throw into the market a tremendous sum of money which at that moment might not be needed.

Mr. ADDONIZIO. Thank you.

Mr. ASHLEY. Mr. Jewett, the mortgages that you turn over to, in this case, the Irving Trust Co., on what basis are they turned over? Do they take those at par or are they discounted and, if so, how many points?

Mr. JEWETT. They are at par.

Mr. ASHLEY. So the only thing the Irving Trust Co. would get on the particular mortgages that they take would be the interest; is that right?

Mr. JEWETT. That's right.

The CHAIRMAN. Are there any other questions?

Mr. McDONOUGH. In addition to your headquarters in Newark, I think the next largest headquarters is in Los Angeles; isn't it?

Mr. JEWETT. That's right.

Mr. ADDONIZIO. We are happy to share the Prudential with you.

Mr. McDONOUGH. I just want to say for the record that you have been a great help to our building industry out there and to our general economy and we are very happy to have you. I know that the average size of the mortgage that you had, the loan here is \$10,500.

Mr. JEWETT. That's correct.

Mr. McDONOUGH. You are dealing with the small homeowner and the low-cost house.

Mr. JEWETT. About 75 percent of the mortgages we hold are on one-family houses, the rest on multifamily dwellings.

Mr. McDONOUGH. You speak here of \$700 million in the United States.

Mr. JEWETT. We operate in Canada also. We transfer some funds to Canada sometimes, although normally they generate their own funds.

Mr. McDONOUGH. What about Puerto Rico?

Mr. JEWETT. We have not made any loans in Puerto Rico.

Mr. McDONOUGH. We were informed yesterday it would be a good time to start building houses in Puerto Rico. It might help New York City a lot.

Mr. ADDONIZIO. It could help Newark a little bit, too.

Mr. McDONOUGH. Thank you very much. I think you have been a very helpful witness.

Mr. O'HARA. I want to add that we feel in Chicago that Prudential has started on the new march to the mountaintop. We are very proud of your building there and have great affection for Prudential in Chicago.

Mr. JEWETT. Thank you.

Mr. O'HARA. I might add that Prudential's new skyscraper is a contributing factor to Chicago's present great boom. Soon in the future when I speak of Chicago as the first city of America, it won't be a slip of the tongue.

Mr. McDONOUGH. It was a mistake in your statistics because Los Angeles was just reported within the last week as being the second largest city.

Mr. O'HARA. We in Chicago welcome Los Angeles as our far western suburb. We made Los Angeles by our generosity in supporting all of the irrigation and improvement projects that made possible her growth. We feel toward her as a mother city toward a child suburb.

Mr. McDONOUGH. Thank you for your help.

The CHAIRMAN. Mr. Jewett, there is only one statement that you make, to be perfectly frank with you, that I don't like and don't agree with, and I think you ought to look into it.

One of the things that has always troubled me about GI and FHA loans is after all the American taxpayer is on that note and there are sixty-some-odd billion dollars worth of them across this country of ours with the Federal guaranties on them. I have often wondered if the burden was shifted without taking—observing the good banking practices.

Don't you think you should check into those voluntary home mortgages?

Mr. JEWETT. Well, we could not handle the volume of business that was put in our laps in April, May, June, and July and make inspections because in some of our offices, with 30 men on the staff, we had as much as 1,500 or 2,000 applications to look at, and it was physically impossible. Normally we inspect every loan, every house on which we make a loan before we make the loan.

The CHAIRMAN. Well, I think that ought to be done, and I believe you will agree that that is the right kind of practice to follow.

Mr. JEWETT. Yes, sir.

The CHAIRMAN. Any other questions, gentlemen?

Mr. WIDNALL. Mr. Jewett, isn't it true that probably the reason you have the highest percentage of those loans at the present time is because your organization had more regional offices spread out throughout the country?

Mr. JEWETT. Oh, yes.

Mr. WIDNALL. And you were better equipped initially to handle that program?

Mr. JEWETT. It certainly was, and there was a little sales job to be done.

Mr. WIDNALL. Incidentally, Mr. Chairman, I called Mr. Viner's office 2 days ago and as of September 30 there were more than 5,200 FHA and VA loans placed under the voluntary mortgage program, aggregating approximately \$48 million. It seems that the five life-insurance companies have been the major lenders under the program so far, mainly because they are the ones that had more regional offices.

Mr. JEWETT. That's correct. It was logical for the life-insurance industry to lead in this because we had the organizations with which to do it.

Mr. WIDNALL. I would like to compliment the Prudential for taking the lead in this voluntary program. I think it can do a great job in the country for minority groups and rural housing.

Mr. GAMBLE. Are you satisfied with the progress being made by the voluntary system that was set up initially through testimony of the Prudential?

Mr. JEWETT. It took a long time to get it started. The snowball is beginning to roll along now.

Mr. GAMBLE. It is growing?

Mr. JEWETT. It is growing definitely, and our position is being diluted, and that is good. It means more participation by other lenders.

Mr. GAMBLE. Are you getting it all over the country?

Mr. JEWETT. Yes, definitely.

Mr. GAMBLE. And you are reaching those parts of the country that needed help and for which that was set up?

Mr. JEWETT. We have been all over the United States, and I believe we have particularly been active in very small territories. We have 28 mortgage loan offices, and practically every one of them has made some loans, and we do not make loans under the voluntary system in areas in which we normally make loans. We have gone to the areas where we normally would not be making loans because of the lack of demand.

Mr. GAMBLE. Where there is lack of credit facilities other than what you would furnish?

Mr. JEWETT. Yes.

Mr. GAMBLE. That was one of the arguments in favor of the plan.

Mr. JEWETT. Yes.

Mr. GAMBLE. I was very much in favor of it myself.

Mr. WIDNALL. Mr. Jewett, under that program initially they try to place a loan with mortgage lending institutions within the State, don't they?

Mr. JEWETT. Yes, the local lender, in the State, or in the country, or within the township is the first one asked whether or not he will make the loan.

Mr. WIDNALL. So it isn't a case of big life-insurance companies going in and gobbling up business?

Mr. JEWETT. No, we would rather not.

Mr. ASHLEY. It does cost the veteran more for his loan, a veteran in the rural areas, we will say, if he handles it through the Prudential as opposed to a direct loan from the Veterans' Administration, isn't that correct, sir?

Mr. JEWETT. That would depend upon the locality and the controls of the State.

Mr. ASHLEY. Well, aren't there additional charges in handling it through the Prudential that he wouldn't run into with the VA, closing charges, and so on?

Mr. JEWETT. I think they are about the same, but it may be that VA operation is on a cheaper basis.

Mr. ASHLEY. I have just one question, more, sir. You state here that the Prudential has on its books 475,000 mortgage loans. Is that your entire portfolio, commercial loans and all?

Mr. JEWETT. Yes.

Mr. ASHLEY. The average of all of that is \$10,500. What would be your average loan, 60 percent or 70 percent?

Mr. JEWETT. Well, under a conventional loan we would be limited to 75 percent by law. VA loans could be 100 percent, and has been

in many cases, although most of them are less, and FHA will be still less than the VA. That is the reason for the multiple commitment you find mentioned at the top of one page of the testimony.

The CHAIRMAN. Is the mortgage foreclosure rate higher on the voluntary home mortgage credit loans than it is on your regular—

Mr. JEWETT. We have had it for such a short time I don't think we have had a delinquency yet. It would take 3 years anyway to prove anything. I would expect them, if anything, to be lower.

Mr. McDONOUGH. There is a point that you make in your testimony here that is rather revealing. You say that you have set aside for 1956 \$900 million for this purpose.

Mr. JEWETT. Yes.

Mr. McDONOUGH. Which is \$200 million more than the previous year. In other words, you anticipate a continued increase in building during 1956?

Mr. JEWETT. Well, the demand for funds is far in excess of what we are able to take care of, so whether it be \$900 million or \$1,900 million, we would be able to find the outlet for our funds.

What we have to do now is to restrict various areas somewhat so we will not lend too much of our total assets in one area.

Mr. McDONOUGH. Have you noticed any reaction in the increase in interest rate and shortening of the maturity?

Mr. JEWETT. No, it is too soon.

Mr. McDONOUGH. Do you think it will have any effect?

Mr. JEWETT. It should have some effect. If it eliminates prospective purchasers from the market, there are just that many less houses to be built, but I don't believe there will be a reduction in housing starts great enough to make itself felt for a long time. I think a million or more houses will come along for a large number of years.

The CHAIRMAN. Any other questions, gentlemen?

Mr. McDONOUGH. Incidentally, on some of your GI loans that you have taken in, have you run into many of those cases where they were giving premiums for the purchase of houses in addition to the no down-payment?

Mr. JEWETT. We tried to stay away from the builders that did that. Whether we were always successful, I do not know. We have had some checks made, and there was very very little of it where we were involved, but it was being done.

Mr. McDONOUGH. And because of the builders this restriction on increasing rate of interest and long maturity was brought about, because the builders were just milking the market to the limit.

Mr. JEWETT. That could be in isolated instances, I would think.

Mr. GAMBLE. Are the conditions and requirements under voluntary the same as for other types of mortgages?

Mr. JEWETT. Yes.

Mr. GAMBLE. Just as severe, making as much qualification, and so forth?

Mr. JEWETT. Just how do you mean that?

Mr. GAMBLE. Well, I didn't know whether the requirements would be less than for other conventional loans.

Mr. JEWETT. On a conventional loan we have to have quite a different approach. For instance, we have a limitation as to the size of a house, the minimum. It is the same in a conventional loan or in a loan under the voluntary program.

Mr. GAMBLE. But the conditions that you require under the voluntary program aren't any less stringent than they are on other loans.

Mr. JEWETT. I would not say so. You might make a loan on a house without a bathroom in a rural area where you wouldn't do that in an urban city.

Mr. GAMBLE. But that is only where located; recommended by the local office?

Mr. JEWETT. Yes, where it is a typical condition, where a bathroom would be useless because of lack of water.

Mr. WIDNALL. Awhile ago you referred to trying to place an application for minority housing with 13 institutions.

The CHAIRMAN. It finally went through for 52 of the units, and they are being constructed for housing now. I was pleased to get that far through it. I will check the record. I rather think yours is the company that made the loan. I am going to check that.

Mr. WIDNALL. The last information I had on that was that there were 41 builders applications for minority housing as of the middle of September, and all of the builders had commitments.

The CHAIRMAN. This one finally came through. It took a lot of turndowns from a lot of places.

Who is the president of your company?

Mr. JEWETT. Harold Shanks.

The CHAIRMAN. It is a pleasure to have you, and thank you for meeting the deadline of completing on time.

So the committee stands in recess until 2 o'clock.

(Whereupon, at 12 30 p. m., the committee recessed until 2 p. m.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

Our first witness is Mr. Emil M. Keen, president of the Long Island Home Builders Institute, who is going to discuss mortgage-credit problems of Long Island home builders.

Will you please identify yourself?

Mr. GILMAN. Marvin L. Gilman of Beth Page, Long Island.

Mr. ADDONIZIO. I would like the record to show that Mr. Gilman's presence has been requested here by Congressman Lester Holtzman of New York.

The CHAIRMAN. We are glad to have you.

Mr. GILMAN. Thank you, sir.

#### STATEMENT OF EMIL M. KEEN, PRESIDENT, LONG ISLAND HOME BUILDERS INSTITUTE

Mr. KEEN. Gentlemen, my name is Emil M. Keen, and I reside at 3020 Wilson Avenue, Wantagh, N. Y., and I am president of the Long Island Home Builders Institute, whose main office is located at 570 Fulton Avenue, Hempstead.

Our organization embraces all of the Long Island territory, which includes the counties of Kings, Queens, Nassau, and Suffolk, and covers a population of about 6 million people.

Our organization is composed of 1,100 members, of which 350 are builder members and the balance associate members, components of the various segments of the industry.



We felt that the committee would be interested in knowing that since 1947 when we produced 28,000 units in these counties and have subsequently increased the amount per year that to the end of 1955 we will have delivered 364,000 habitable units in our area, and based on a factor of 3.2 people per family, this adds up to about 1,184,000 people.

We would also like to bring to the committee's attention that the Long Island housing industry is probably more highly competitive than any other area of the country, and the net result of this competition has been to provide families with housing that represents exceptionally good values for the dollars spent and invested.

We feel that it must be recollected that these values have been possible despite the intensive competition or because of it at the lowest possible cost to renters and purchasers and due to a highly developed efficiency in the industry which has been brought about by a continuing and uninterrupted market for our products by the ability to plan and to gear housing developments into a smooth form of operation and continuous production and to create an improved rate of productivity on the part of construction labor which is an inherent part of our local economy and that the availability of mortgage money with only occasional reductions in volume, employed to a high degree through the useful elements of FHA and VA have been the causes or the results of the development of this substantial volume in our area.

Now, with respect to FHA and VA and more significantly with respect to the current credit restrictions which were imposed on July 30, the impact of which have not yet made itself known in our area to any substantial degree, because of the existence at that time of outstanding commitments and work in progress which was not affected by the invocation of the regulation, it is our considered opinion that the impact of these new credit restrictions will be felt from this point on and more particularly in the spring of the year in terms of the families who were interested and able to acquire homes under the old regulations but are prevented from doing so under the new requirements.

It is also our opinion that this new regulation will impose upon the lower-income group, which group is the particular group we feel the Housing Act was clearly attempting to accommodate, a hardship due to the monthly differential cost between the 25- and the 30-year term.

We do not believe that the 2 percent is in itself significant, an increased downpayment, but the differential of 5-year amortizations.

It seems that the housing controls that aim at any income bracket below \$5,000 per year income in this area are made without adequate regard for the requirements and the needs of the growing young families that normally fall into this lower income range.

We also would like to call to the committee's attention the important fact that sudden changes in mortgage credit requirements break into the orderly functioning of the housing construction industry and it is this orderly functioning in terms of sales, steady construction, and planned acquisition of materials and assurance of uninterrupted employment of labor that has been the foundation of the industry's ability to build a large volume of housing at better values year after year.

Interruptions in this orderly functioning necessarily add to the costs to the ultimate consumer. Therefore we have a desire to make certain recommendations.

We wish to recommend to this committee several considerations that we believe, if they can be placed in effect, will serve to expedite operations and thereby enable builders to reduce overhead and other costs to a degree that will be further reflected in stable and economical prices for home purchasers.

These recommendations are briefly the following:

There is a need for developing conformity in the processing of applications through the two governmental implementation agencies such as FHA and VA. We have in mind such items as the duplication of appraisals which presently exists.

The CHAIRMAN. You mean between VA and FHA?

Mr. KEEN. Yes. Here we believe a considerable amount of time can be saved by virtue of this unrequired or unneeded duplication of appraisals. We feel that coordination of inspections during the course of construction is extremely essential, and here again the saving does not necessarily indicate it is in a dollar amount as much as it indicates it is in a time factor which is reflected in dollars ultimately.

The CHAIRMAN. Coordination is a word that covers many things.

What do you mean by that, that they don't inspect it at the proper time or what?

Mr. KEEN. We have the problem of calling for FHA inspections for certain elements in the construction, and for VA inspections in certain elements of the construction by different inspectors, sometimes for the same item, like a cesspool or a roof enclosure or a foundation structure, and as a result of these requisite duplicated inspections, if the inspectors do not come at the time requested, the same day, the job must necessarily be delayed until each has examined his end of the inspection element and reported back to the office that he is connected with.

This can lose not just a day, in some instances it can lose as much as 2 weeks' time.

Mr. ADDONIZIO. Which means money to the builder.

Mr. KEEN. It means money to the consumer too. Whatever adds up to the builder's cost, adds up to the consumer's cost too.

The CHAIRMAN. All right.

Mr. KEEN. We feel that a development of uniformity in the minimum property requirements and minimum construction requirements of both agencies is essential. We can see no justifiable reason for differentiation in this respect, as a good home should be built in either case, and there should be no distinction between the two Government agencies as to what constitutes acceptable compliance, and this, we feel, is a matter of local interpretation, where the chief architectural individual of each agency sets his own interpretation of the MPR, which can only result in confusion and conflict in the field.

Mr. BARRETT. You mean if the building meets the zoning of that respective city or county, that ought to be acceptable to the FHA or VA?

Mr. KEEN. No, sir; we are referring to the property standards required by both agencies as far as construction compliance is concerned. These standards are supposedly set up in the minimum property requirements form and are to be applicable by both agencies in

the same area on the same construction project, but local officials of each agency may take different interpretations, inasmuch as everything is not spelled out literally and there are certain interpretive values involved, and as a result of the variation in interpretation by the local appraisal officer, there adds up to confusion on the job as to what is acceptable to FHA may not be acceptable to VA or vice versa.

Mr. ADDONIZIO. What seems to be the basic differences?

Mr. KEEN. Well, I can mention a few of the items if that is what you are referring to specifically. I think that if you will let me get through the construction requirement recommendation, we might get back to an answer to these particular questions.

The CHAIRMAN. All right.

Mr. KEEN. To illustrate this item briefly but not completely, we point out that there are certain differences required by each agency as far as bolt anchorages in foundations. On this bolt anchorage in foundations we find FHA says it is not essential in our area to install bolts in foundations, and the VA says we want bolts in the foundations, and therefore you had better put them in.

The setting of face nails and facial material on the exterior trim on the building is required by VA and not required by FHA.

The painting of galvanized sheet metal is required by one agency and not by the other.

Floor finishing is required by one and not required by the other, and leaders and gutters are required by VA on all structures and not required by FHA where structures are built in conformity with certain practices.

These requirements impose upon each builder a severe supervisory problem which again adds to the ultimate consumer cost.

Now, we have made up—we don't have it at present, but can make it available to this committee—a list of differences required by each agency as far as construction elements are concerned.

The CHAIRMAN. We would like to have that incorporated in the record. If you will furnish that for the record, we will order it incorporated at the end of your testimony.

Mr. KEEN. Thank you.

Then we get into another element of conflict within the operation of the agencies, and this is what we call double escrows.

This is an example in case of certain off-site improvements in a subdivision, the completion of which are unable to take place at the time of the closing or passing of title because of weather or working conditions.

These off-site improvements might consist of curbs or sidewalks or roadways or something of that nature, and they have not been completed because of the normal progress of the operation or because of weather conditions.

In one case we find the agency says we want a cash escrow deposited with the lender when title is passed on this structure so that the money will be available for the completion of this item when time and weather permits.

Another agency says if you are closing or passing title on this structure, we wish you to post an escrow sum sufficient to cover not just this one structure upon which you are passing title, but the entire block or maybe this block and an adjoining block, so that you prohibit the possibility of this house being left on an uncompleted street.

It happens that in our area every subdivision must post a subdivision completion bond to the municipality in which it is being constructed.

Mr. GAMBLE. That is under ordinance, isn't it?

Mr. KEEN. Yes; and as a result of the bond, and the bond requirements, it can impose a hardship on the builder; when he gets to the completion of the house and ready for transferring the title, we find each agency asking for a separate escrow, and he is in a position where he has triple indemnifications, one to each agency and one to the local municipality. If it were just paper indemnification—because he intends completion—but where each indemnification requires the posting of a collateral sum of money or like item or element, that imposes on a good many of the builders a tremendous strain wherein they have their capital tied up in escrows and bonds instead of in working operation for the job until its ultimate delivery.

This, of course, adds not only a certain element of delay in the completion and relieving of all of these requirements, but it adds cost, because when he must borrow funds for these purposes, he must pay an interest rate for the acquisition of these funds.

Recollecting that the Servicemen's Readjustment Act will expire in June 1957, and further recollecting that there may be reasons why it may not be extended, we believe that consideration should be given to developing some form of incorporating the program into the structure of FHA with possibly some reasonably preferential treatment being established for veterans.

Now, we just feel something ought to be done to continue this program without necessarily continuing the exact wording of the act, if it is Congress' intent to continue the benefits that veterans of World War II may have under the Home Loan or Servicemen's Readjustment Act, which is scheduled to expire in July 1957, and we feel that while we could proceed in some detail with a number of elements that affect the housing industry in our area, we do not wish to belabor the committee with all of the factors in mind, and that if there are any questions, we would be happy to attempt to answer them, and we have been very appreciative of the opportunity of coming up here and speaking to the committee on this subject.

Mr. BARRETT. May I ask you this question:

What would you suggest to improve the conditions in order that an application might be expedited for completion?

Mr. KEEN. Of a structure?

Mr. BARRETT. Yes.

Mr. KEEN. Where these off-site improvements have not been completed?

Mr. BARRETT. I assume now from what you are reading there, your statements, that the operations meet the building code of the municipality and also the zoning code.

Mr. KEEN. Yes, sir.

Mr. BARRETT. Even though you point out that one agency says we will not pass your bolting down of the beams of the uprights, another agency comes along and says, "that is acceptable to us."

What would you submit to improve the conditions in order to facilitate the completion of the building?

Mr. KEEN. We would recommend that a spelled-out clarification of the minimum-property requirements be established at the Washington

level and each local department head informed that these are the requirements that will hold for FHA and for VA programs, and that there is no need for distinction in interpretation on the part of the local chief appraiser as far as any of these elements are concerned, and if he feels personally that there should be a distinction in any one of these items, he should have, of course, every right to go to Washington and say in our area you can't do this. He may prove then that in this area bolts are required, and therefore both agencies should require bolts, or it may be established without any question that bolts are not required and therefore both agencies will conform to this requirement, and this goes right through the entire list of minimum property requirements.

We are not taking the position that we are looking for a minimum but we are simply looking for a position of clarification; what do we live up to, this agency's request or the other agency's request?

The CHAIRMAN. Well, let's see if we can't get it clarified a minute. What you are talking about is the duplication; first of services between VA and FHA, and, secondly, you are looking for a more spelled-out specification of appraisals and so forth?

Mr. KEEN. Yes, sir.

The CHAIRMAN. Now, this committee has been told by many people since we have been in New York that the trouble with the FHA and the VA is that they want everything done in Washington and that they don't give at the local level—I am talking about the regional offices—any consideration to the various factors that enter into home building in those respective areas.

For instance, we saw an apartment building since we have been in New York where the man would not take FHA insurance because the requirement of FHA was so strict about certain things it would cost him \$4 million more to build it at the FHA-spelled-out requirement. So it seems a bit difficult to me to see how you can be going and coming with one set of plans and specifications all spelled out specifically nationwide, and Washington has to operate nationwide, not just for Long Island, and on the other basis complain—I am not saying you are, but I am thinking of these other problems we have had before the committee, that no local determination and no power and authority is given to the essential changes affecting that area.

Now, which way shall we go? Shall we recommend more power to the local people or shall we go back to Washington for every spelled-out decision?

What do you think about that, Mr. Keen?

Mr. KEEN. I think there should be considerable latitude in the local areas, because the local areas are more cognizant of the problems than Washington is.

Furthermore, I think Washington should not be burdened with every little problem that arises in the local area. However, at the local area we don't see any reason why for a construction item—an engineering item which has a series of set and established facts, pluses and minuses—we can't have a determining individual who will say, "This is in conformity to these regulations for FHA and VA."

Whether that individual will be the chief appraiser of FHA or of VA or a separate individual, that isn't important; that isn't the important element. We should have complete agreement.

We know nothing—at least I know nothing—about the apartment house arrangement, because we are primarily a homebuilding organization.

Mr. GAMBLE. You don't have any apartments particularly in your section outside of Brooklyn and Queens, do you?

Mr. KEEN. That's right.

The CHAIRMAN. Well, are you recommending to the committee that the same identical appraisals for VA and FHA be one and the same?

Mr. KEEN. I would like a distinction there, if you will permit.

Under the FHA program an appraisal does not have to come up to selling price for a builder to proceed with his program.

Under the VA arrangement, an appraisal must come up to or exceed selling price for the builder to proceed.

This creates a two-pronged burden. He must get FHA approval in a certain amount and he must get VA approval. The methods by which each agency arrives at their appraisal figures are somewhat different. This could be improved.

The CHAIRMAN. I think you are right on that.

Mr. KEEN. The important factor that we feel is indigenous to the area and is extremely essential as far as minimizing the time load in construction operations is to get a distinction spelled out for requirements, for the type of wood and the type of concrete and the type of roof material and the size of rooms, and the setback areas and all of those engineering items or construction items that fall into this commodity, because every restriction or hampering item that is imposed by a local agency or a chief appraiser in setting up his own personal interpretation of what is good or bad for the industry simply adds to the delay in time and the ultimate cost in the product.

Mr. GAMBLE. Well, we can agree with you on those appraisals, but try to get the VA to agree with you.

The CHAIRMAN. Of course, we have the human element of appraisers which enters into it. We have looked at a lot of homes with another committee that you are talking about on Long Island, with a VA committee a good many years—Ralph, and some of us—and one of the troubles that we found then was this duplication of appraisal.

Would you recommend to the committee—and I ask this only as a question—that the same appraisers appraise VA houses as appraise FHA?

Mr. KEEN. Yes, sir; I would.

May I call to the committee's attention the existence prior to July 1950 of what was known as the section 505-A method of financing under which—and this is only by pattern and not interest in reviving a particular plan—but under this plan the FHA processed the subdivision, processed the submissions for construction, issued conditional commitments, made the credit analysis of the purchaser, and did all of the construction inspections.

VA got into the program through the issuance of a certificate of reasonable value and a subdivision development approval.

The CHAIRMAN. You see, our real trouble is that last thing you said. You can't get an amendment to the VA Act very easily, I will assure you, in the light of that viewpoint of the veterans' organizations about it, that would in anyway change that certificate of reason-

able value requirement, and as a result how could an FHA appraiser arrive at the reasonable value determination on a VA loan?

Mr. KEEN. No, not by the present method; this could not be accomplished.

The CHAIRMAN. So it is basic; it gets into the act itself.

I can see where there should be no duplication of appraisals and it doesn't seem necessary to have one group running on one part and one group on another, but basically, the VA Act is a different act to the FHA Act, with preferential treatments given to the veterans under it, and I don't need to tell you as an experienced homebuilder that the Congress always been very—well, I will say very jealous of that preferential treatment being retained for the veterans.

How about giving us a real concrete suggestion on what you think ought to be incorporated in either act that would help to avoid the duplication of appraisals? What do you think could be done with that?

Mr. KEEN. Well, the first thing that must be done is to establish a clear-cut definition of what is required and what is not required in the local area constructionwise. That is one element.

Another element that can be accomplished is establishing one system of inspections for construction, whether VA makes the inspections and FHA accepts them or FHA makes the inspection and VA accepts them; but one agency should accept the inspections of the other agency without saying, "We will inspect their inspections."

If those two things could be accomplished it would be a definite move in the direction of expediting completion of units.

The CHAIRMAN. And in the long run would save money for the ultimate purchaser.

Mr. KEEN. There is not question about it.

Mr. ADDONIZIO. Mr. Keen?

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. On page 4 of your statement or letter I think you raise a very interesting program in reference to the expiration of the Servicemen's Readjustment Act. However, I would not want the record to stand and let it be believed that this committee just accepted and gave blanket approval to this recommendation of yours.

However, I think it is worthy of some serious consideration by the Congress and by this committee, and I think that what it should call for is some further hearings and study on it.

The CHAIRMAN. Are you talking about on the VA, Mr. Addonizio?

Mr. ADDONIZIO. Yes.

The CHAIRMAN. As a matter of fact, the VA housing, is outside the field of this committee and is under the jurisdiction presently of another committee, and whereas you make that recommendation and we have other recommendations to be made in the offing, but until that hot potato is finally dumped in our laps, there is nothing that we can do with it in these investigations. Another committee of the Congress is looking into that phase of it, which is the committee of the Veterans' Administration.

Mr. GAMBLE. They are making an investigation now, are they not, and getting ready to make some recommendations?

The CHAIRMAN. Their recommendations may throw the matter into our committee for study, but until that is done, it is not under our jurisdiction.

Mr. GAMBLE. But they expect to bring in some recommendations, do they not?

The CHAIRMAN. I am sure they do.

Let's talk about credit for a bit. I know you touched on it, and as a home builder are vitally concerned with it.

What do you think is going to be the impact of the increase in downpayments—you say you didn't think that would amount to much—but the cutting down of the length of the term, what is going to be the result of that?

Mr. KEEN. To the purchasers who are able to buy homes under \$10,000, they will be affected because a difference of \$3, \$4, or \$6 a month in the payments is sometimes a difference between their being rejected or getting credit approval. This covers the income group around \$5,000. We don't think the income group that fits into the \$12,000 to \$18,000 price range will be seriously affected because if they can't get approval for the higher priced unit, they can step down a few thousand dollars and obtain a house.

But when you get to \$10,000, you are getting into such basic housing they have no place to step if they cannot get credit approval, and that 5-year differential in length of term is a very important feature.

The CHAIRMAN. Let's look at the 2-percent aspect of the downpayments, since you have mentioned it.

In some areas there is no downpayment. Do you think the 2 percent will have an effect on curtailing sales?

Mr. KEEN. No; I don't.

The CHAIRMAN. What do you think of the reverse? We had a recommendation this morning that the time could be easily 30 years for the life of a loan and could possibly be extended; what do you think about it?

Mr. KEEN. I am very much in favor of anything that will lower the monthly carrying charges, because I think in the long run that everyone will take care of their obligations. The banks indicate at the present time that payoffs on mortgages are running between 10 and 12 years, not 25 and 30 years.

The CHAIRMAN. That's correct.

Mr. GAMBLE. They are prepaying are they?

Mr. KEEN. Yes; they are paying in advance, but they need the start. When they move into the house, they must buy furnishings, equipment, and other things. They need all of the cash they can accumulate to set that house up, but once the house is set up and they continue their working and income program, then their interest is in liquidating the obligation as quickly as possible so they have a home without a mortgage.

I think this is one of the primary reasons that payoffs have been so much faster than the total amortization available.

The CHAIRMAN. Any questions, gentlemen?

Mr. ASHLEY. Is that in the lower income bracket groups that this prepayment is taking place too?

Mr. KEEN. It is taking place through all of the groups.

Mr. ASHLEY. It is.

Mr. KEEN. Yes.

The CHAIRMAN. Any other questions?

Mr. O'HARA. What is the cost range of the homes you are building in Long Island, these approximately 40,000 new units a year?



Mr. KEEN. I would guesstimate, if you will accept that word, sir, since we have no factual survey, that the preponderance of units, possibly 70 to 80 percent, are in the \$12,000 to \$18,000 range; 10 to 15 percent are in the below-\$12,000 range, and the remainder are in the above-\$18,000 range.

Mr. O'HARA. What is the lowest price?

Mr. KEEN. \$7,000 is the lowest priced available housing unit at the present time.

Mr. O'HARA. And is that lower than the figure of 2 or 3 years ago?

Mr. KEEN. No, sir; it is higher.

Mr. O'HARA. The cost of producing homes is going up all of the time?

Mr. KEEN. Yes, sir; every year.

Mr. O'HARA. Of course you have given thought to the problem that is in our minds constantly, how to bring the cost of houses, homes, down to the price level of many of our people.

Mr. KEEN. There are only two ways.

Mr. O'HARA. And what are they, sir?

Mr. KEEN. To increase productivity by reducing the time factor of building units and by lengthening the mortgage term so that people can own them at less dollars per month, because we do not believe in any realistic degree that labor will accept a concession as far as income is concerned. We feel that nothing will happen except that labor will look for more demands whether it is wage increases or fringe benefits, and every time labor gets an increase, all of the materials in the product increase in cost, and this increases the ultimate cost, and as the density of population in the area increases, the land costs increase and the off-site improvement costs increase, so we can foresee nothing but increased housing costs in our area unless we can improve productivity, which is one thing that uniformity of construction requirements within the agencies, and acceptance of inspections, might help. That is one way of increasing productivity, and the other is by extension of mortgage terms which permit a man of a lower income to live in that housing unit and have the availability of more years to pay for it.

Mr. O'HARA. Is it possible that further research will develop a new type of residence, the cost of which will be materially less?

Mr. KEEN. It is possible, sir, but from a practical point of view I am not sure that it will work out.

Mr. O'HARA. And the building industry is not particularly interested in that research as long as there is a market for the houses of the present price setup, is that not right?

Mr. KEEN. No, sir; I would say that is not right. The building industry is very definitely interested in a research program, which is currently going on, at our Washington headquarters and in our local areas through our construction and research committee, to find better materials and more adaptable materials and less expensive materials and methods which will result in savings. This is a constant job, and we are applying ourselves to it constantly in cooperation with Producers' Council, the manufacturers of all of the components.

Mr. O'HARA. Well, is your industry contributing to a research fund?

Mr. KEEN. Yes, sir; we are, through our national association.

Mr. O'HARA. How much money is contributed to that fund? I have in mind the Department of Defense is spending \$1 billion a year

for research only; that is, not making anything, that is just research. Now, how much money would you say is being spent in research in the building industry?

Mr. KEEN. I could not venture a specific guess because I do not know, but I would just say that it is a substantial sum.

Mr. O'HARA. Well, you will agree with me, I am sure, that the main objective I would say of all of these congressional studies is to find some way of bringing houses within the reach of all of our people.

Mr. KEEN. Yes, sir; I presume that is the objective implied. I feel that where the elements get mixed up are in the detailing of operations at a local level, because at the national level all that can be evolved is the theory of what is the best thing to do for the people, but the working elements must be worked out at the local level and at that level these elements should be cleared up to minimize confusion, conflicts, and overriding elements of time.

Mr. O'HARA. In the Long Island area do you provide housing for minority groups?

Mr. KEEN. Sir?

Mr. O'HARA. In the Long Island area there is housing for the minority groups?

Mr. KEEN. We have some interracial areas existing; yes.

Mr. O'HARA. Have you any racial problem there?

Mr. KEEN. If you would define the word "problem," I might be able to answer it. I would say from the point of view—

Mr. O'HARA. Well, then, let's put it in plain words. Have you any reflection of the segregation problem in Long Island?

Mr. KEEN. Yes, sir; we have.

Mr. O'HARA. Is it possible for one of the minority groups to get a home in every area in Long Island where you are building?

Mr. KEEN. No, sir; it isn't.

Mr. O'HARA. Do they sometimes apply?

Mr. KEEN. Yes, sir; they do.

Mr. O'HARA. And they are turned down?

Mr. KEEN. I would say they are turned down; yes.

Mr. O'HARA. And this is in New York and not in Mississippi.

Mr. KEEN. Yes, sir.

Mr. O'HARA. Thank you, sir.

Mr. GAMBLE. May I ask you in answer to one question the gentleman just raised about new materials, the National Association of Home Builders just completed a building where they are having a number of floors for exhibits on new construction, new types of everything, and the purpose of that is to acquaint the builders and the people generally of the new types of construction and the new types of materials; is that not correct?

Mr. KEEN. Yes, sir; and it is open to the entire public, not just to builders alone.

Mr. GAMBLE. Oh, yes; it is. I haven't seen it, but I understand it is a very fine and a very inclusive exhibit, and it is going to be changed from time to time and the manufacturers of building materials have been interested and many of them have taken space there and others are trying to get space.

Mr. KEEN. We think it is a tremendous symbol of the stature of the home-building industry in this country and we would like to

invite everyone of you gentlemen to come through our guided tour and show you the entire housing center.

Mr. GAMBLE. Now, just one other question and that is on page 4 when you speak of these bonds, I said, was that done by ordinance and you said, "Yes." Was there an ordinance of the county of Nassau or was it—it wasn't every community, was it? It is a county problem and we ran into it when Mr. Raines committee was down in Long Island a couple of years ago, and I had wondered and I had heard that the Nassau County Board of Supervisors had taken action to see that there was a continuity against the county, through the county.

Mr. KEEN. In Nassau County that is quite so. In Suffolk County there are different areas with different requisites as far as bonding requirements for off-site improvements are concerned. This is in the process of integration at the moment. We hope that within a year that will be accomplished.

Mr. GAMBLE. Well, that is what we found in Suffolk when we were down there.

Mr. KEEN. Yes, sir; it still exists.

Mr. GAMBLE. Every community had its own law or its own zoning, or its own sanitary requirements, and so forth, and in some places there weren't any at all. That is all, Mr. Chairman. I just wanted to clear that up.

Mr. WIDNALL. Mr. Keen, you have made some specific recommendations which were very good with respect to "inspections" and the "uniformity of development of property with minimum property requirements and minimum construction requirements." Don't you feel that they are dependent upon each other, that you couldn't coordinate inspections without having the same minimum requirements?

Mr. KEEN. I feel—or we feel in the industry that there is no need whatsoever to have 2 inspectors come out and spend their time inspecting the identical item; that 1 inspector should be qualified and competent enough to do this job. And if he isn't he shouldn't be in the job. Therefore, one agency should accept the inspection of the other agency.

Mr. WIDNALL. I agree with you, Mr. Keen, as to inspections, but if he is charged, as a VA inspector, with just seeing that that house meets the minimum requirements of the VA, how can he certify it for the FHA?

Mr. KEEN. There isn't any reason why he can't, inasmuch as the MPR's established for both the FHA and VA are an identical piece of literature and it is only interpretation that makes a difference. In addition, the MPR's are established as a basic guide for builder, engineer, architect, and agency. The builder builds what he submits in his original processing, as far as the plans and specifications are concerned. This inspector is to determine whether the building is in conformity with plans and specifications as submitted, and in addition thereto, to the minimum normal requirements of the agency.

Now if one inspector isn't suitable to inspect it and certify it to the other agency, then I think there is something wrong with the inspection program.

Mr. WIDNALL. I think your recommendations are very wholesome along that line. I would just like to ask you this question, coming back to what Mr. O'Hara said. Isn't there a New York State law

that says a mortgage application can't be turned down because of a minority request?

Mr. KEEN. There happens to be in New York State an amendment known as the Baker-Metcalf amendment, effective since July 1, 1955, which says that no builder working under an FHA or VA program may refuse to sell to any applicant because of race, color, or creed. This is an existing law.

Mr. GAMBLE. That was July 1, 1955, you said?

Mr. KEEN. Yes, sir; this year. However, between the wording of the law and its practical application in the field, there is a wide variance of area, so from a practical point of view when this gentleman asked me whether they were turned down; in brief, they are. Whether they are turned down by the lender or by the agency or by the real-estate firm selling the houses or by the builder, at this moment I don't feel is too important. They are turned down because it represents a very serious problem, as far as the builder and his community and his township is concerned.

Mr. O'HARA. Well, if they are turned down by the agency, do you mean a Federal agency?

Mr. KEEN. I wouldn't say that, sir.

Mr. BARRETT. Mr. Keen, may I ask you this question: What is the processing situation for FHA and GI loans, and how long does it take to process a loan through FHA and GI?

Mr. KEEN. FHA origination processing; that is, from submission to the issuance of conditional commitments, is very good in our area, between 2 and 3 weeks, which we consider very good.

Mr. GAMBLE. It has stepped up very much in the past year, too; has it not?

Mr. KEEN. Yes; we find no fault with it at the moment.

Mr. GAMBLE. You were submerged for a while.

Mr. KEEN. VA processing is delayed at the moment, running as long as 12 weeks.

Mr. BARRETT. What causes the FHA delay?

Mr. KEEN. There is no FHA delay. It is the VA delay in origination processes.

Mr. BARRETT. What causes that and how can it be speeded up?

Mr. KEEN. I am not familiar with the interworkings of the VA Home Loan Section, but the information that I get from our builder members is that it seems to move very slowly from desk to desk within that agency and if per chance there is any element of the submission that is missing or unsigned, instead of it being shunted momentarily until that element is filled in to the processing, the entire batch is taken back to the origination section and started from scratch again, so if his happens a couple of times, it can result in tremendous delays for a developer.

Mr. BARRETT. You wouldn't say it was due to insufficient help, would you?

Mr. KEEN. I would, and I would also say it is due to incompetent help.

Mr. ADDONIZIO. I have one more question, Mr. Chairman.

The CHAIRMAN. All right, Mr. Addonizio.

Mr. ADDONIZIO. I am sure that you are familiar with the Housing Act of 1949. If you remember, under that act we had a housing re-

search program which I believe was terminated in 1953. Would you support a renewal or revival of that housing research program?

Mr. KEEN. We would be in favor of any research program that would develop better methods of materials and help to reduce costs and improve housing, if this is what you are pointing at.

The CHAIRMAN. Thank you, Mr. Keen.

We have another witness along the same line, gentlemen, and I want to stay on the schedule today.

Go ahead, Mr. Ashley.

Mr. ASHLEY. Just three short questions. I have been impressed by your figures showing the postwar building activity in Long Island. Now just taking 1 year, your 1955 figures of 42,000 dwelling units, what was the average cost of those units, do you know?

Mr. KEEN. No, sir; but it would be somewhere in the \$12,000 to \$14,000 area.

Mr. ASHLEY. To what age group were those units sold, can you tell me that?

Mr. KEEN. The figures that we have available at the moment which are by no means conclusive indicate that they are in the age group running from 28 to 35.

Mr. ASHLEY. And can you tell me of the number of units of these 42,000 which were sold to members of minority groups?

Mr. KEEN. I don't have those figures.

Mr. ASHLEY. Could you give me an estimate of how many were sold to Negroes?

Mr. KEEN. Maybe a couple of thousand, say somewhere in the vicinity of a couple of thousand units.

Mr. ASHLEY. Roughly 3 percent.

Mr. KEEN. Yes, between 3 and 5 percent.

Mr. ASHLEY. Would that 2,000 units or 3 percent be in 1 area?

Mr. KEEN. No, sir; that would be spread around Brooklyn, Queens, and Nassau.

Mr. GAMBLE. Are Levitt's operations completed now down in Levittown?

Mr. KEEN. Yes, they have been completed since 1952.

Mr. GAMBLE. And he is out in—

Mr. KEEN. Bucks County, Pa.

The CHAIRMAN. Thank you very much for appearing, Mr. Keen, and we appreciate your contribution.

With Mr. Keen is Mr. Gilman. Are you from Long Island also, Mr. Gilman?

Mr. GILMAN. I am.

The CHAIRMAN. I understand you want to summarize your statement and comment on it; is that correct?

Mr. GILMAN. That is correct.

The CHAIRMAN. We will be glad to hear from you, Mr. Gilman.

#### STATEMENT OF MARVIN S. GILMAN, BETHPAGE, LONG ISLAND, MEMBER, LONG ISLAND HOME BUILDERS INSTITUTE, INC.

Mr. GILMAN. Mr. Chairman and members of the committee, my name is MARVIN S. Gilman and I reside at 4013 Jean Avenue, Bethpage, Long Island. I am a builder member of the Long Island Home Builders Institute, Inc., the office of which is located at 570 Fulton

Avenue, Hempstead, Long Island, and since January 1, 1955, I have been chairman of the committee on neighborhood renewal (formerly slum rehabilitation committee) of the Long Island Home Builders Institute, Inc.

And since Mr. Keen has given you all of the background on the organization, I won't try to cover it. I would like to cover an area, Mr. Keen did not cover—urban or suburban renewal, as it affects us in Long Island. I understand from reading the newspapers you had a good deal of information on that, as far as urban problems are concerned. We will not comment on that but we find we have problems of roughly a similar nature in our own areas. Our institute, in the early part of 1955, established a committee on rehabilitation, which committee was shortly changed to a committee on neighborhood renewal, apparently a much more desirable name for the general public.

The purpose of the establishment of this committee was to ascertain through the working together of builders, architects, engineers, and other members of our organization what problems there were in suburban Long Island for neighborhood renewal.

We found pretty much in common with the experience in the rest of the United States also in suburban areas that plight was widespread even in our relatively new communities.

I would like to address myself to the problems that we find in trying to reverse this problem of spreading blight through the use of the mechanism and procedures set down in the Housing Act of 1954 and the subsequent amendments of 1955. First, as to the workable program, as an organization we agree wholeheartedly in the principle of the workable program, but our problem is not one of concentrated urban decay in large urban centers, and the problem must be handled, therefore, by a multiplicity of incorporated villages, small cities, and townships which govern unincorporated areas. Normally the facilities of this type of governing body for the formulation of the type of workable program required by HHFA are inadequate.

I believe the framers of the act in Congress saw this problem and provided for the planning advance. However, we get ours into a decision in regard to the planning advance. We want a workable program for the municipality. A workable program requires a consideration of various factors including codes and ordinances of the municipality. In order to get the planning advance to work out, the workable program, which includes the codes and ordinances, we find we have to submit the codes and ordinances to get the planning advance to work out the workable program to get the study of the codes and ordinances.

We would like to suggest that the commission of the workable program, particularly in small communities, would be facilitated by an amendment to the act which would enable the granting of—perhaps you might call it a preliminary planning advance to a central planning agency in suburban areas, possibly a county planning commission, so that the advance would, by its terms, be earmarked for use throughout the jurisdiction for the development either of the information necessary for the individual municipalities to qualify for planning advances of their own or for the submission by the municipalities of workable programs.

I would like also to touch on some of the aspects of, as we see it, the operations of section 220. I think you have heard a word or two

here in the past few days about the unrealistic attitude of the Federal Housing Administration in its rules, regulations, and procedures promulgated under the 1954 act. We find what we foresee as one of our greatest difficulties in operating under this act and one of the difficulties we have in interesting any of our builders in coming into this program is that normally the FHA underwriter considers a loan in terms of traditional neighborhood appraisal standards.

Now although the act specifically authorizes the FHA to consider a loan, without regard to surrounding neighborhood, this is something which the local underwriting office must have clear direction from the Commissioner. We believe that the intent of Congress for more realistic determination by the local underwriter, which is set forth very clearly by the change of estimated value to estimated replacement cost in the act. We think here it is a question of communication. I think the underwriters in the local office should be apprised by the Commissioner in Washington as to just what the intent of Congress was. We have also in relation to section 220 another problem, and that is the question of builders' profits, a fairly legitimate concern of ours, we feel.

We believe that the cost certification requirements that you established in the 1954 act and have carried forth into the 1955 act are excellent. We agree with them. We have no argument at this time with the cost certification. We believe what you have succeeded in doing is making it impossible for a builder to make any money on the mortgage proceeds.

The money that we are concerned with is the money that the builder is entitled to make on the construction. Now, although the act never states how much of a profit FHA in its calculations is to allow the builder, I believe your conference reports recommended that the FHA should establish a ceiling not in excess of 10 percent. This, however, I understand, is discretionary with the agency and in no case has FHA come up with a figure higher than 6 percent, and this 6 percent is not even a realistic figure, because the FHA bases it solely on the cost of construction.

It doesn't take into account the cost of land and the various carrying charges, legal fees, organizational expenses, taxes, interest, FHA fees, that must be borne by the builders.

The CHAIRMAN. We understood on the project approved here in New York only a day or two ago, or a week ago, that it was seven and a half percent.

Mr. GILMAN. Well, I don't know the source of the committee's information, but we understood from inquiring of Washington FHA that it was 5 percent.

Mr. ASHLEY. Five or six?

Mr. GILMAN. We were informed by FHA in Washington that it was five.

The CHAIRMAN. I will say, however, that our information from someone who testified also included overhead, which might be the figure which you got after cutting it down.

Mr. GILMAN. We got a 5-percent figure. We won't make any decision for the urban builders. They may be able to work on 5 percent in gigantic metropolitan redevelopments. In the suburbs that is patently impossible. We are not New York City. We do not contemplate projects going up 12 stories, covering square miles. We

think we have another difficulty. We have found that the only way we are going to be able to get this urban renewal off the ground in our suburban areas is by establishing what I will call cooperative corporations.

I will mention parenthetically out on Long Island we have established the only such renewal corporation. This is a cooperative venture on the part of various builders, none of whom are experienced large-scale multiple-dwelling builders. All of them have built some multiple dwelling buildings, all of them have done some redevelopment work, but we feel only by them grouping together in a single corporation can we get the job done. Here we run into a problem on the special procedure of FHA requiring information about the composition of the builder groups as to past experience, particularly in relation to 608. We can understand this requirement on the part of FHA where one or more builders forms a large part of the corporation, but we cannot see in corporations such as ours where no one builder represents even as much as 10 percent of the total stock in the corporation, where this information is of any value to either the Government or anybody else.

All it does is stop us from getting the benefit in even a small way of the men most experienced in the field. We feel also that Congress, even without sections 220 and 221 of the Housing Act had established rehabilitation mechanisms which go unrecognized in the field. We believe that by its terms your section 207 is a rehabilitation mechanism and may be used to finance and rehabilitate its structure.

We would propose two modifications so that 207 could be used in areas that do not have a workable program or in areas that do have a workable program prior to the completion of the processing necessary for 220 insurance. I am sure all 220 insurance is not going to take 18 months to process, but until the time is cut down, we believe 207 can be used, 1, the present regulation of FHA to the effect that at least 50 percent of the mortgage proceeds under the 207 rehabilitation mortgage must be used for rehabilitation of the structure should be modified to a more realistic figure, perhaps in the neighborhood of 25 percent.

I believe under 220 you use a figure of 20 percent for use of mortgage proceeds in rehabilitation.

2. The minimum property requirements in the case of 207 rehabilitation should be flexible enough so that the program may be effectively used. If the agency insists on using the same minimum property requirements for a rehabilitated structure in terms of room size, and so forth, that they are using for new structures, we will get no rehabilitation work done under 207.

In addition, No. 3, the underwriters should be instructed in these cases to deemphasize again the effect of the surrounding neighborhood where the proposed project is otherwise economically sound.

Lastly, I would like to point out that in addition to section 221, the Congress has established an excellent relocation mechanism that can be used in communities that have not yet a workable program. This is particularly important in getting little situations cleaned up. There has to be what some people have called sort of a blood bank of relocation housing so that a city can enforce its ordinances. We go to a city and we say, "How can you allow 15 people to occupy 2½



rooms?" and the city says, "We think it is terrible. Where should we put the people?"

The people say it is not only terrible but it is unsafe and bring the landlord to court, and find it is in the position of a landlord who is having 15 people in 2½ rooms stand before the court as sort of a savior of humanity and say, "You wouldn't want me to throw these people into the street?"

The result, of course, is that we are at a total standstill until we can get into some relocation housing.

Now, we have used very successfully in our area for new housing purposes section 203-I, the old section 8 of title I. We believe that 203-I, which provides for a lower priced house, would be an excellent relocation mechanism and break up the logjam that we have in getting rehabilitation underway by private enterprise in suburban areas if it could be used without anything else, just to get both the various municipalities and the various landlords, most of whom are absentee landlords, interested enough in the problem.

When you have the possibility of taking away a landlord's income, apparently, it is our experience he comes around pretty fast to doing the things that are required to rehabilitate his structure.

As long as we do not provide this, we are not going to get it.

We ourselves, as a private group of builders, broke just such a logjam 2 or 3 weeks ago. We had a dwelling in Long Island that had 123 people in it, totally unsafe from a fire point of view. The people had been ordered evicted by the building commissioner, the fire commissioner, and the supreme court of the State, and the eviction order had never been carried through because of the old argument where to put the people.

The landlord was proposing this argument: We stepped into this picture and rented a hotel in a resort area and said, "Now, there is no more discussion, either get the building fixed up or we will take the people to a resort area."

I think you realize the problems of depending upon a group of private builders to rent hotels in resort areas in off seasons for minority groups as a possible solution to this problem.

I think a much better alternative would be instruction to the local offices in the Federal Housing Administration to allow 203-I to be used as a mechanism for developing a blood bank of relocation housing.

I want to thank you for listening to me go through this sort of like a racehorse, and I feel that I would not like to burden you with too much detail.

We have had, I am afraid, very little practical experience in the field. We have had some; and if we can be of any help to the committee, we certainly would like to be.

The CHAIRMAN. You made a very fine statement.

What is this committee for neighborhood renewal?

Mr. GILMAN. The committee for neighborhood renewal, Congressman Rains, is a committee of the Long Island Home Builders' Institute.

As a trade association, we believe that we function best by specializing in various committees. We have committees on FHA, VA, and now a committee on neighborhood renewal. It is composed of

builders, architects, planners, and various associate members who are interested in the problem of neighborhood renewal.

On Long Island we are beyond the stage where this is a committee function. A private corporation has been organized, Long Island Neighborhood Renewals, Inc. It has undertaken its first renewal operation after renting this hotel down at Long Beach to get the people out of the house. We now have a renewal operation going on, without Federal funds, without any kind of funds except our own, but we know this is not going to be able to continue indefinitely, not on the basis of good will, as much of it as we may have. We have got to get help if we are going to do it on a large scale.

The CHAIRMAN. You make some good recommendations. I think your remarks are better than your written statement. Which do you want to go in the record?

Mr. GILMAN. I would just as soon you left the remarks on the record.

The CHAIRMAN. All right.

Any questions?

Mr. ADDONIZIO. I have one question, Mr. Chairman.

In regard to this section 203-I, as I understand it, it does not require compliance with the regular FHA property standards. You don't think that that kind of houses could possibly be built in big cities?

Mr. GILMAN. 203-I houses?

Well, I am not very familiar with the problem of big cities. Do you mean cities such as we have on Long Island?

Mr. ADDONIZIO. Well, average-type cities. I don't know too much about Long Island, either.

Mr. GILMAN. We would like you to come out and see it.

Yes; I think, by and large, these houses could be built anywhere. There is a set of minimum property requirements under 203-I, and houses built under 203-I are probably better in most cases than houses built in accordance with building codes of many communities throughout the country.

The CHAIRMAN. Any other questions?

Mr. O'HARA. Mr. Chairman, I would like to observe the witness referred to himself, I think, as a racehorse. If he were, and if he were starting in the Belmont, I venture to say he would go to the post a prohibitive favorite.

Mr. GILMAN. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Gilman, for coming before us. We appreciate your views and they will get our consideration.

Our next witness, gentlemen, is Mr. J. Clarence Davies, Jr., president of the Citizens Housing and Planning Council of New York City.

He is accompanied by Mr. Ira Robbins.

**STATEMENT OF J. CLARENCE DAVIES, JR., PRESIDENT, CITIZENS HOUSING AND PLANNING COUNCIL OF NEW YORK CITY, ACCOMPANIED BY IRA ROBBINS**

Mr. DAVIES. Mr. Robbins is executive vice president of Citizens Housing and Planning Council, president of the National Housing Conference, and a former New York State housing commissioner.

The CHAIRMAN. We all know Mr. Robbins very well and very favorably.

Mr. DAVIES. Mr. Chairman and members of the committee, I appreciate this opportunity to express the point of view of the Citizens' Housing and Planning Council on the problem of relocating individuals and families displaced by slum clearance and urban renewal operations in New York City.

My name is J. Clarence Davies, Jr. I am president of the Citizens' Housing and Planning Council of New York. I am president of the real estate firm of J. Clarence Davies, Inc., which was founded in 1889. I am also chairman of the committee on urban redevelopment of the Mayor's committee for better housing and first vice president of the Bronx Real Estate Board.

The Citizens' Housing and Planning Council of New York, for which I am speaking today, is a nonprofit membership organization formed in 1937 by civic-minded New Yorkers, in the belief that a decent home in a well-planned neighborhood for every citizen can be achieved through vigorous private and public action. The members of the council represent many points of view—business, real estate, construction, architecture, labor, finance, civic, welfare, and other public-spirited citizens. Our board of directors includes many nationally known experts on various phases of housing and urban renewal, including former officials who served with national, State, and local housing agencies.

Our council believes that New York's housing problems must be dealt with through a comprehensive program, and that there is no one solution to the problem. We believe that there must be sound codes with high standards for construction and maintenance; rigorous enforcement of these codes; public housing for low-income families; Government insurance of mortgage loans to stimulate homeownership and rental and cooperative developments; public assistance to private enterprise in the form of long-term Government loans at low interest rates and tax concessions for housing for families with moderate incomes; more housing for single people, the aging and large families; an expanded program of clearing and rebuilding our slum areas for their best social and economic purposes; protection, conservation, and renewal of good and salvageable neighborhoods; housing available on an equal basis to all, irrespective of race, creed, or country of origin; and city planning which will guide and provide for the growth of the city in the most desirable, efficient, and economical manner possible.

Relocation, which you have invited me to discuss, is one of the most difficult, complicated, and controversial aspects of New York's housing problem. This is so because:

The number of individuals and families who will be displaced under the programs sponsored by public agencies is enormous.

The shortage of housing for families with low and moderate incomes, particularly Negroes and Puerto Ricans, is critical.

Different standards are used in measuring the adequacy of the housing to which displaced families may move. Some agencies endeavor to relocate families in decent, safe, and sanitary housing. Others settle for housing which is no worse than that previously occupied by the displaced family.

The forms of assistance, financial and otherwise, given by public agencies and private developers differ widely. Displaced families, and the social agencies which try to help them, are justifiably confused and indignant when families on one type of site get no assistance at all while families on other sites get as much as \$500 in cash to move.

There is a wide range in the extent and methods of checking the whereabouts and condition of housing of those who "choose to relocate themselves."

There is no uniform method of gathering and publishing basic statistical information which is necessary to evaluate the relocation procedures and to determine policy questions.

Relocation was the subject of a special study by the city planning commission which resulted in a majority and minority report dated January 20, 1954. City Administrator Luther H. Gulick made a study which resulted in his report dated May 20, 1954. Recently, one of the subcommittees of the mayor's committee for better housing made an extensive study and report on the relocation problem. All this is evidence of the extent to which relocation is involved in a comprehensive approach to our housing problems. If copies of these reports are not already in your possession, I will be happy to furnish them to you so that your records may be complete.

The CHAIRMAN. We would like to have you furnish them not for the record, but for our files.

Mr. DAVIES. Very good.

It is estimated that over 67,000 families (of whom one-quarter may be one-person families) face displacement during the years 1955 to 1957 as a result of sites acquired and to be acquired during this period for various types of public improvements, such as schools, hospitals, traffic arteries, playgrounds, public housing and title I redevelopment projects. The contrast of this average of over 22,000 families a year with the average of 7,700 families a year displaced in the 7-year period between 1946 and 1953 demonstrates how the seriousness of the relocation problem is being aggravated.

The New York City Housing Authority is having increasing difficulty in finding suitable vacant land sites for new public-housing projects. Plans for the acceleration and expansion of the slum-clearance program under title I have been announced. These two facts must also be taken into consideration in analyzing the city's ability to absorb the displaced families.

In the past few years about 40 percent of families displaced by public improvements have entered public housing. Assuming that this will continue, there will be, over the next few years, some 40,000 families competing for the new and existing housing that will be needed to keep up with population growth and new family formation, to provide for partial replacement of substandard dwellings, to allow for undoubling of families living doubled up and to achieve and maintain an adequate vacancy rate.

This vacancy rate is needed so that families that increase or decrease in size may be able to move without being frozen into a situation in which it is impossible for them to exist.

A few of these families may be able to afford the high rentals which must be charged for new private housing. Some may go to the suburbs. However, the vast majority of the remaining families will need moderate rental housing, which is not being built to any appreciable degree.

Discriminatory practices complicate the plight of Negroes and Puerto Ricans who are in this income category. A special problem is faced by single persons and extra large families. Many of these could qualify on an income basis for public housing, but because of the restrictions in the Federal law and policy decisions by the housing authority they cannot be accommodated.

Two additional factors complicate the relocation problem still further.

The city administration has begun—and properly so—to tighten up its enforcement of laws relating to the removal of violations. It has also proposed a multiple-dwelling code which would impose stricter limitations on occupancy than are now permitted and higher standards of safety and sanitation in existing buildings. If the present and proposed legislation were enforced to the limit, it would result in the immediate displacement of thousands of families. However, because of the shortage of housing, the city can only proceed slowly along these lines.

The other factor is that private builders who are constructing housing of the luxury type in Manhattan displace numerous families who live in old-law tenements. The new housing is a substantial asset to the city but the low and moderate income displaced families add to the pool of those who must find new quarters. These displaced families are not entitled to any preference in public housing nor is there any obligation on the part of private redevelopers to help them.

One of the oldest social agencies in New York City has had two conferences—another will be held in a few days—because they are confronted with the problem of people in their neighborhood living in old-law tenements who are being displaced by new luxury apartments, and they cannot service these people who have lived in the area for 70 years.

It seems to be an insurmountable problem because the private redeveloper is under no obligation to help these people. The courts have helped as far as possible, but these people, unless helped, are forced to live 20 or 25 miles from the area in which they formerly lived. I don't have to point out to you gentlemen what the hardship is that this causes to people who have jobs and are used to living in an area and suddenly find themselves forced to find housing in a completely different area and environment in a position many, many miles from where they have lived for many years.

The CHAIRMAN. I don't want to break the continuity, but what is an old-law tenement?

Mr. DAVIES. One built before 1901. Those built after 1901 are new-law tenements.

The CHAIRMAN. Go ahead.

Mr. DAVIES. All this means that New York City's housing supply must be greatly and rapidly expanded, and that the procedures for relocation must be constantly improved. If these two things are not done successfully, there will be callous and inhuman treatment of the individuals and families displaced, and there will be unfortunate delays in proceeding with necessary public improvements.

A word as to the agencies involved. The clearance of sites for public housing accounts for the largest percentage of families displaced in the past few years. The relocation of these families is handled by the New York City Housing Authority and, in our opinion, has been

generally satisfactory. The Port of New York Authority and the Triborough Bridge and Tunnel Authority are responsible for the relocation of families displaced from the sites of public improvements undertaken by those agencies. The bureau of real estate, an arm of the Board of Esemate of the City of New York, supervises the relocation of families who live on the sites of schools, hospitals, highways, and other public improvements undertaken directly by the city. Title I developments are sponsored by the mayor's committee on slum clearance. For these developments, the city acquires a site and sells it on the same day to the redeveloper who contracts to be responsible for the relocation of site residents. The operations of the private redeveloper are subject to the supervision of the bureau of real estate.

The relocation of displaced tenants on the sites of title I projects has been of a very uneven quality. In the Corlears Hook and Morningside Gardens projects the sponsors have done efficient and humane jobs. At the other end of the scale is the Lenox Terrace project in Harlem where the private redeveloper paid almost no heed to the maintenance and relocation requirements of the law and the bureau of real estate obviously gave less than adequate supervision. The redeveloper has failed, with few exceptions, to give the residents even a minimum of assistance, and the maintenance has been so bad that many families have been forced to live under indecent and dangerous conditions. Due to the pressure of civic and neighborhood groups, the city has begun to bear down on this type of irresponsible redeveloper, but the situation is still far from satisfactory.

Now, as to some of the details of the relocation machinery.

The cash allowance given to tenants to assist or induce them to move off a site depends in part upon the legal limitations applicable to the particular agency involved, and in part upon the need for quick clearance—that is, of the site.

The New York City Housing Authority is limited to a maximum payment of \$200 per family to be applied against the last month's rent and moving expenses. No payment is made unless, in the opinion of the authority, the family circumstances require it.

The bureau of real estate makes payments of up to \$100 per room, with a minimum of \$300 and a maximum of \$500 for each dwelling unit. Double bonuses are given where clearance must be done expeditiously.

The port authority has used graduated cash bonus schedules for those who relocated themselves. It allowed tenants who vacated within 60 days \$200; those vacating within 90 days \$175—

Mr. BARRETT. May I interrupt there?

What was the highest amount given to any resident to relocate?

Mr. DAVIES. A thousand dollars in one instance, but the average is of course a good deal lower. That is the double bonus of \$500.

The CHAIRMAN. Go ahead.

Mr. DAVIES. In addition, the port authority paid brokers' fees of \$150 for each apartment listed by a broker and accepted by a relocating tenant. It also paid the broker \$100 for painting and redecorating or did the necessary painting and redecorating itself. The remaining tenants were paid \$100 toward their moving expenses.

In title I projects there is no legal limit on the amounts which a private project sponsor can pay. On the other hand, there is no requirement that the project sponsor must give any financial assist-

ance to the displaced tenant. Some project sponsors allow rent rebates; others do not. The price paid by title I sponsors for the sites is further reduced by a substantial allowance to cover financial assistance to displaced tenants. However, the sponsor is not required to return any of this money to the city, even if the financial assistance actually given to the tenants is negligible.

Vacancy lists: In one title I project, the sponsor located, listed, and made available to all tenants information as to more than 1,300 dwelling units renting at \$75 or less per month. In another title I project the sponsor located and supplied tenants with a very small list of dwelling units in private housing. Some sponsors pay fees to brokers for vacancy listings; others do not.

Information to tenants: There is no uniformity among title I project sponsors as to the amount and kinds of information given to tenants. In one project tenants were fully advised of their rights by a series of letters and by personal contacts. A clear explanation was given as to why eviction notices had to be issued. Tenants were told how to determine their eligibility for public housing, and how to find private housing. They were advised as to their rights to moving expenses and cancellation of rent. Neighborhood organizations were fully informed and participated directly in the relocation program. Data and records were well kept, current, and readily available.

In another project very little information was freely given to the tenants. In most instances, the first, and in many cases, the only notice, given by the sponsor to tenants took the form of a dispossess notice, without any further explanation. There was a complete lack of mutual understanding and confidence between the sponsor and his relocation agents on the one hand, and the site tenants and local community organizations on the other. Data and records were not readily available.

Citizens' housing strongly urges action along the following lines:

1. New York must continue the process of clearing its slums. However, it is incontrovertible that slum clearance cannot continue without an expanded program of public housing. The State of New York and the city of New York have pioneered in financing public housing separate and apart from that built with Federal aid, but they cannot shoulder the entire burden. If the present plans, which call for an expanded and accelerated title I program, are to be carried on successfully in New York City, a vastly expanded program of Federal aid for public housing must be provided.

I don't think it is necessary to call to your attention again the statement made yesterday publicized so well of Mayor Wagner's plans for the upper west side, which is certainly a plan which will bear a great deal of watching, and I think has the general approval of most people, but it is obvious that this particular clause, which was written before his statement to you gentlemen, bears very, very squarely on the statement that he made yesterday, because we are going to need all of the assistance we can get from you people to carry out that program.

Secondly, the Federal law should be amended so as to make single persons, particularly the aged, eligible for federally aided public housing. As the present time single persons are not eligible. As a result, when low-income single persons are displaced from the sites

of public improvements, their chances of successfully finding a decent place in which to live are almost nil.

Third, the city of New York should adopt the same policy in acquiring and disposing of title I sites as that used in other cities. The city should acquire the land, assist the tenants to find adequate accommodations, and then sell the vacant land to private redevelopers. This would do more than minimize the potential hardships and injustices to site tenants. In our opinion, it would attract more bidders, and bidders of a higher caliber, than are attracted under the present system.

At the present time, too, because of unhappy experiences of other title I site residents, the mere announcement that an area is to be cleared arouses the opposition to the site residents to the whole project and causes concern on the part of even those neighborhood and city-wide groups which favor slum clearance. In some instances the present system gives rabble rousers and those who strive to foster racial and other tensions an opportunity to do their dirty work. In addition, the present system invites irresponsible sponsors to "milk" a project by failing to make necessary repairs and to maintain necessary services while the relocation process is going on.

Fourth, since the investigation of the FHA program under section 608 of the National Housing Act, there has been a virtual cessation of rental housing under section 207 of the act and of cooperative housing under section 213. This may be attributed in part, to provisions in the Housing Act of 1954 which eliminated or minimized the inducements to builders to take advantage of these programs. However, many experts believe, and the mayor's committee for better housing found, that it is the policies and procedures of the Federal Housing Administration rather than the defects in the law, that have brought the FHA rental and cooperative housing programs to a standstill.

I understand from some of the previous speakers' remarks, although I came in late, that you have heard something about this in the last 2 days.

Mr. GAMBLE. Much.

Mr. DAVIES. In addition, interminable delays on the part of FHA have accounted for the failure to get underway the section 220 program relating to insurance of construction in urban renewal areas. It is to be hoped that last week's announcement that a mortgage commitment has been issued for the Harlem Estates project will be a forerunner of many similar announcements.

FHA's activities are related to the relocation problem in two ways. In the first place they affect the supply of much-needed middle-income housing, some of which could be made available to displaced families. In the second place, the delay in processing commitments for new construction on title I sites means that the sponsors have been forced to maintain the existing housing for longer periods than necessary. The sponsors are naturally reluctant to spend money for repairs and upkeep during this period.

Fifth, there is no question that far too large a percentage of relocated tenants, especially those on the sites of title I projects, seem to vanish with no knowledge on the part of any public agency as to the condition of the accommodations into which they move. There must be a responsible check on the quality of these accommodations. We cannot stop people from moving anywhere they please. But by



checking the extent to which they move into substandard quarters, the city may be able to schedule its improvements so as to minimize the danger that bad housing conditions in other areas will be aggravated by overcrowding, and that new slums will be created in the process of eliminating the present ones.

The subcommittee of the mayor's committee for better housing issued a report in which they found, and it was their conclusion, that actually slums were being created faster than we could displace them because of this problem.

The lack of uniformity in standards, policies, and procedures calls for strict supervision by one city agency. Such an agency would develop and carry out uniform policies covering:

(a) Notification and advice to be given to all tenants to be relocated from the sites of public improvements;

(b) Financial assistance to which tenants are entitled;

(c) Maintenance of a list of available vacancies in standard housing;

(d) Payment of brokers' fees in cases where listings are accepted by relocating tenants;

(e) Specific standards for the determination of whether an available dwelling is standard or substandard;

(f) Checks as to whether the dwellings into which self-relocating families move are standard or substandard.

Several years ago the mayor's committee on management survey, of which Dr. Luther H. Gulick was director, recommended that the bureau of real estate of the board of estimate be abolished and that a department of real estate management headed by a city commissioner be established.

In May 1954 Dr. Gulick, in his capacity as city administrator, repeated his recommendation. He pointed out that the management of real estate, including relocation of tenants, is an administrative undertaking requiring executive direction and control. This kind of function should not be carried on by a legislative body such as the board of estimate.

The failure of the city administration to make any move to put Dr. Gulick's recommendation into effect is hard to understand and much to be regretted.

Sixth, the city administration should also establish a single point of responsibility for the maintenance of data on housing supply and demand. This would include estimates of the annual volume of new housing, the construction at various rent levels, and the total number of families to be displaced by all types of activities in the city.

Citizens' Housing reaffirms its long held belief that New York City's slums must be cleared and rebuilt. The programs of urban redevelopment, public housing and housing law enforcement now underway must be continued.

We also reaffirm our conviction that the proper rehousing of displaced families and individuals is a necessary concomitant to these programs. Relocation must be carried on in a humane and orderly manner in justice to those displaced, in the light of the need for preventing the creation or spread of other slum areas, and in order to present unnecessary opposition to urban redevelopment, public housing, and housing law enforcement programs.

I thank you again for this opportunity to appear today.

The CHAIRMAN. Mr. Davies, I have been sitting on housing committees for a long time and many investigating and studying committees, but I never heard a more comprehensive, pinpointed statement made than the one you just made.

It will interest you to know that we have some fairly sharp fellows that work up these hearings and for the benefit of the chairman draft a lot of pointed questions that they expect, and it might please you to know that as you went over that statement, you answered about 14 questions perfectly, right on the head.

Mr. DAVIES. Thank you very much, sir.

The CHAIRMAN. It is a very fine statement, and I don't understand—and I say this for the record—how you could listen to this statement and not recognize the fact that from the Federal legislator's viewpoint, any housing program of the National Government must be an overall, well-balanced program of public assistance, Federal assistance, private enterprise, and all of the other facets of it, because there are certain problems you put your finger on here which couldn't be done except at some public level, local level some of them.

Now, a lot of the things you have talked about are specifically the problems of New York City and major cities like you through the Nation. You make some very specific recommendations to us as to the changing of the Federal law, which is our province, concerning, we call it housing for the aged. My good friend down there, Mr. O'Hara, is the champion of it, among many others, but you specify that there be a change in the law to allow single person to be housed in public and Federal housing units.

Mr. DAVIES. That is true.

The CHAIRMAN. I understand that the State law now allows that. Speaking for myself, I think that is a fine recommendation.

Mr. WIDNALL. Does the New York State law pinpoint the age for the older people?

Mr. DAVIES. I beg your pardon?

Mr. WIDNALL. Does the New York State law limit it to a certain age for single persons, or any single person?

Mr. DAVIES. As far as I know, it does not limit it to age, it is any single person, because the number of apartments, of course, is limited as to single persons, it is limited on a percentage basis.

Mr. BARRETT. We heard two statements relative to the number of units needed for public housing in the city of New York. One was that 75,000, 25,000 for 3 years, another statement was 200,000 without giving the number of years over which the number should be built.

Taking the lower number, 25,000 a year, what percentage of houses would be needed for the single aged persons?

Mr. DAVIES. I would have to guess at that, sir. I don't think I could answer that without a great deal more study. We do know, of course, as is the national problem, that the percentage of aging is rising at a higher rate in New York City than it is through the rest of the country. The percentage of our population in the estimates by 1970, I believe, are that something between 20 and 23 percent of our population will be over 60 years of age. That is the 1970 figures in a study made by the planning commission, I believe, a few months ago. As to how many of those, as to what percentage, you would have to go right through and apply the percentage of those eligible for public housing

as against the percentage figures between 1960 and 1970 that would exist in that age category in order to get to the answer as to the number of the 25,000 housing units.

The CHAIRMAN. But in New York it is not as to age; it is as to income and need?

Mr. DAVIES. Yes.

The CHAIRMAN. Let us get on relocation, and I will ask one question and then turn Mr. Davies over to the committee for further questioning.

Do you need the public housing in which to relocate and the other housing in which to relocate displaced persons dislocated, regardless of how it is brought about, by highways, turnpikes, or title I slum clearance? Do you need those houses before the demolition under the title I slum clearance and before the highways go through?

Mr. DAVIS. Yes, sir; you would need them built at approximately the same time, if not before.

The CHAIRMAN. Well, there comes a point in there at which it must be demolished if it is slum clearance, and you need a place to put them at that particular moment.

Mr. DAVIES. That is the problem.

The CHAIRMAN. I don't know of Congress ever considering the displaced-persons' situation. There is nothing that you recall in the Federal law whereby the Federal Government gives any aid and assistance to displaced persons who are displaced by any of this type of program except through the public housing of providing another place for them to go?

Mr. DAVIES. No, sir; I do not.

The CHAIRMAN. Have you any recommendations to the Congress? I don't quite understand how the city of New York, and how the other agencies, give this money to somebody just for them to move. What do you think about it?

Mr. DAVIES. It is almost the only solution when you see families moved onto the street for progress. The only answer is to furnish them with sufficient money to allow them to buy information, move themselves, and find places to live, no matter where. There is almost no other solution.

The CHAIRMAN. Some developers, and I assume they were working on title I clearances, have given them no cooperation. Do you think Congress should write into the law that developers should furnish information on that to dislocated tenants?

Mr. DAVIES. That is one of our recommendations.

The CHAIRMAN. Gentlemen, he is yours for questioning.

Mr. GAMBLE. On page 3 you give the different amounts of money that are paid to get people to move.

Mr. DAVIES. Yes, Mr. Gamble.

Mr. GAMBLE. Is that a requirement of law under the ordinances of the city of New York, or just how does that evolve?

Mr. DAVIES. That is correct; it is a matter of policy established by the bureaus themselves.

Mr. GAMBLE. It is a matter of policy. Is it a matter of law?

Mr. DAVIES. I don't believe so. I don't know of any such law.

Mr. GAMBLE. Nobody said there was, and I just wanted to clear that up. I knew that they were paying different amounts.

Mr. DAVIES. Right, sir.

Mr. GAMBLE. We didn't know anything about that until we got up here, and we heard it the third or fourth day.

Mr. ASHLEY. I wonder, pursuing the chairman's inquiry as to proposed legislation under title I for displaced persons, whether you might at this time, or subsequently, supply for the record definite proposals which we could act upon?

Mr. DAVIES. Yes.

Mr. ASHLEY. You set forth very clearly the disparity in the requirements of the various city agencies, as well as title I, and I think it would be extremely helpful to us if you would set forth your ideas in concrete form so we would have the advantage of them at a later time.

Mr. DAVIES. I will be very happy to do it.

The CHAIRMAN. Any questions, Mr. O'Hara?

Mr. O'HARA. Mr. Chairman, I wish to join with our chairman in saying this is one of the finest presentations I have ever listened to. I think you have covered everything, and I want to stress this: I have felt in the Congress that if the Members coming from other regions really understood our urban problems they would give us their full support. I feel you have made a great contribution, in bringing out so forcibly that this group here in New York City is composed of representatives of many conflicting interests, and yet they work together understandingly and cooperatively.

Mr. DAVIES. Thank you very much.

May I say there are a great many of my colleagues in the real-estate business quite obviously who do not agree with my viewpoint as to public housing, but you have understood it, and I appreciate your understanding it.

Mr. GAMBLE. Well, by and large, isn't public housing about as much misunderstood as anything else?

Mr. DAVIES. I would certainly say so, sir. From my viewpoint, it is.

The CHAIRMAN. One other matter you mentioned there that I would like to have a little more elucidation on for the record.

Mr. McMurray, and several in our tour of the city, kept talking about tax concessions on the part of the State of New York, and I assume on the part of the city with reference to building. Explain that to us just a little more. What is the situation, and what do you mean in your statement here about advocating tax concessions?

Mr. GAMBLE. That is on page 1 in the fourth paragraph, tax concession for families with moderate incomes.

The CHAIRMAN. What do you mean by that, Mr. Davies?

Mr. DAVIES. Well, in rehabilitation of existing dwellings that are at the present time structurally sound but obsolete as to their present usage, for example, the only way that a real-estate man and owner can attempt in any way to modernize the building to make it useful is by some form of tax concession.

We feel that a great deal of urban renewal, that a great deal of rehabilitation in the areas which need it so badly, which is obviously our primary problem in New York City with the whole upper West Side, the whole West Side that you heard about here yesterday, which needs rehabilitation, which needs refurbishing so strongly, can only be done on this basis, that this is the only tool which we have that we can conceive of that will be helpful, that will make it a reasonably

profitable thing so that it will be undertaken by profit ownership of real property.

Ira, have you anything to add to that?

The CHAIRMAN. Mr. Robbins.

Mr. ROBBINS. Another important method of obtaining housing for moderate income families is through tax concessions for new construction. New York City and New York State has a series of laws which permit the building of housing for moderate income families and provide that the private developer pay the same taxes that were paid on the site and on the old building at the time of the acquisition of the site for new development, and those tax concessions are given for 20 or 25 years.

Stuyvesant Town, which was constructed by Metropolitan Life, was given a partial concession of that type, and it is probably the greatest incentive and method of obtaining moderate income housing in the city at this time.

As you know, the State of New York has just passed some legislation which provides State and city loans at low interest rates over long periods of time for limited profit corporations. The long amortization period, and the low interest rate, will enable these private corporations to reduce rent substantially. They will be able to reach a still lower income group if they get the tax concession under the formula that I have outlined. The city loses nothing under that formula. It gets an asset which in 20 or 25 years pays full taxes.

An example of that is Knickerbocker Village, which was built in 1935, and in the year 1955 now comes on the tax rolls fully assessable for, I think it was, an \$8 million project when it was built. That is true of a number of other limited dividend projects which were built in the 1930s, and later, and to which there was great opposition.

But I don't think there is anybody now who would say that the city lost rather than gained by giving those concessions. It not only produces much needed housing, it often stimulates private improvements in the surrounding neighborhoods, and it certainly stops the decay of neighborhoods which are deteriorating at a great rate.

Mr. GAMBLE. It takes it out of the category of subsidy, too, does it not, sir?

Mr. ROBBINS. Well, that brings you to a definition of the word "subsidy."

Mr. GAMBLE. You are still paying taxes at the same as the old rate.

The CHAIRMAN. It depends on which pocket you get it out of.

Mr. ROBBINS. That is right.

The CHAIRMAN. Of course, I agree with that theory, I think that is a wonderful deal, but that is New York and New York City. Sitting here as Members of Congress we have to look nationwide, and if every city and every State operated as does New York, that would help, but the Federal Government levies no property taxes. I am trying to see where the Federal Government could be of assistance in the picture. The Federal Government levies income taxes instead.

Mr. ROBBINS. I don't think the Federal Government could do much in the way of tax concessions except that Congressman Coudert introduced a bill which would make income from debentures and stock of limited-profit corporations which produced moderate income housing exempt from income taxation, and that would be one way of bringing a good deal of private capital into the field.

The CHAIRMAN. That is like a municipal bond?

Mr. ROBBINS. Yes.

The other way I think primarily the Federal Government could help through long-term loans at low interest rates without any tax subsidy, and without any cash concessions in order to meet this middle-income group, so all over the country we have a gap between those who are eligible for public housing and those who can pay what private houses produce.

The CHAIRMAN. That is correct.

Mr. ROBBINS. And I think that long-term loans which cost the Government nothing, which cost no taxpayer anything, can make the biggest dent in the rent schedule, bigger than any other way that we know, without affecting the tax basis of the community, and without cost to the Federal, State, or local governments.

Mr. O'HARA. Would you amplify that a little bit? How would you apply these loans?

The CHAIRMAN. Let me give him a suggestion before he amplifies it, Mr. O'Hara. Maybe you don't have it too much in New York, but throughout our section, and throughout the Nation, REA, the Federal Government has always lent every dollar of money or gives them the authority to borrow it, and it is a guaranteed proposition—are you talking about something of that sort?

Mr. ROBBINS. Yes, sir.

The CHAIRMAN. The Government has never lost anything on REA. That is very fertile ground, Mr. Robbins, for thought.

Any other questions, gentlemen?

Mr. BARRETT. Mr. Davies, I would like to ask you this question.

Mr. DAVIES. Yes, sir.

Mr. BARRETT. Speaking of the relocation and giving from \$100 up to \$300 per room, and a double bonus, what disposition is made of the merchant who has a lucrative business on the corner, or somewhere in there, how do you evaluate what he is entitled to? Do you take in the goodwill of his business or what?

Mr. DAVIES. The procedure there would be precisely the same theory that would come under condemnation of any other kind. It would not consist of goodwill. It would be the value of the business, as such, and goodwill I do not believe is legally one of the things that you are entitled to under that particular question.

Mr. BARRETT. Did you take a responsibility to try to relocate him contiguous to the place that he is doing business?

Mr. DAVIES. That has been one of the great problems, sir, particularly in the area where there has been large public housing. In East Harlem, for example, where there has been a considerable volume of public housing, there has been a great problem created for the tenants by not sufficient planning, and the limitations that are now applicable to locating stores and commercial enterprises even on the periphery of the housing development that comes in and the local people, the citizens in the area, as well as the tenants, themselves, have pointed out to city and State agencies that this is a great lack, that it is not fair to ask people who have been used to shopping in the neighborhood, and have dealt with stores for many years, to suddenly have to go many blocks away, and deal with different merchants, as well as being unfair to the merchants themselves.

Mr. BARRETT. Well, holding fast to the merchant for a minute, do you have many court cases?

Mr. DAVIES. Do I, myself?

Mr. BARRETT. I mean on the authority that they file suit and felt they weren't adequately—

Mr. DAVIES. I cannot answer that, but I don't think this has been a great problem that way.

Mr. ROBBINS. May I supplement that?

Mr. GAMBLE. You are going to get a lot of experience in that under the mayor's proposed plan.

Mr. DAVIES. That is right, Mr. Gamble.

The CHAIRMAN. Mr. Robbins.

Mr. ROBBINS. I think that the property owners and storekeepers are treated fairly as to the amount of the awards in condemnation proceedings, but that isn't much help to them. Very often under their leases they are not entitled to anything. It is the owner in fee who gets the condemnation award. What is the real hardship is the small stationers, cigarstore owners, druggists, small grocers, and so on, they are out of business, and they cannot find a new place in which to do business, and they cannot afford the rents on a competitive basis in the new developments, even if the sponsoring agencies provide store space.

On another subject, on the question of how many aged people would be eligible for public housing in New York, I will be glad to file a report of the subcommittee of the mayor's committee for better housing, which dealt with the problems of the aging. We will furnish you with a copy of that report, along with the other reports.

The CHAIRMAN. We all appreciate it.

Mr. DAVIES. That was prepared by Monsignor Drew.

Mr. BARRETT. Will you also add to that the number of handicaps?

Mr. DAVIES. That subcommittee deals with the same subject, gentlemen.

The CHAIRMAN. Any other questions, gentlemen? We are running an hour over.

Gentlemen, you have been very helpful to us. I want to tell you this: This problem is going to get all of the consideration we can give in trips across the country which are limited, but when we get back to Washington in January we are going to be seeing you back down in Washington for further study along these lines for specific recommendations. We appreciate your coming before us and giving us your time and your help. Thank you very much.

Mr. DAVIES. We will furnish you with these reports that you wish.

The CHAIRMAN. The committee stands in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4 p. m., the subcommittee adjourned until Friday, October 7, 1955, at 10 a. m.)





## INVESTIGATION OF HOUSING, 1955

FRIDAY, OCTOBER 7, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*New York, N. Y.*

The subcommittee met at 10 a. m., Hon. Albert Rains (chairman) presiding.

Present: Chairman Rains and Messrs. Addonizio, O'Hara, Ashley, Gamble, Barrett, and Widnall.

The CHAIRMAN. The committee will be in order.

The first witness we will call is Mr. David L. Raider, attorney, to discuss FHA section 213, cooperative housing.

Come around, Mr. Raider.

Mr. Raider, it always frightens me when I see a big briefcase like that.

Mr. RAIDER. As a matter of fact, I have other matters in it, so it shouldn't frighten you.

The CHAIRMAN. We are glad to have you, Mr. Raider.

### STATEMENT OF DAVID L. RAIDER, ATTORNEY, NEW YORK CITY

Mr. RAIDER. I am glad to be here. It is a pleasure to be here, and it is a pleasure to have been invited to attend.

The CHAIRMAN. You may proceed in any manner that you desire, Mr. Raider.

Mr. RAIDER. I intend to make a statement at this time, probably taking up about 20 minutes of the time that I have been allotted, and then leaving myself open for 20 minutes of questioning.

Mr. GAMBLE. How many minutes of questioning?

Mr. RAIDER. Twenty or more; 2 hours, 4 hours, whatever the committee wants, Mr. Gamble.

I suppose in view of the fact that Mr. Tretter, Mr. Schulz, and myself were invited this particular morning, the purpose is to get the three sides of the question. The first side is the side of the FHA, then the builders, then the cooperative consumers. I, of course, am interested in the builders' side of it. I suppose in that respect I am the villain of the proceeding.

The cooperative program started in 1950. I think that the 213 cooperative program was limited more or less to the city of New York. I think that outside of the city—by saying the city I also include Westchester—but outside of New York City and the county of Westchester, there are very few cooperatives in any other part of the country. There were about 20,000 units built between 1950 and the

time the 1954 act was enacted. With the enactment of the 1954 act there were 199 units started, and 1 janitor's unit, making a 200-unit job, and that was the only progress under the 1954 act.

There were many blocks that caused that situation to arise. I will go back and take it up chronologically.

In March of 1954, your main committee had hearings, and the Senate had hearings following that. I appeared before that committee on behalf of the Associated Builders of Greater New York in March of 1954, and that was before the investigation, and I commented on the fact that I felt that the program was very good with one exception, and that was the substitution of valuation for replacement cost. I am not going to go into length in discussing that because with the 1955 act we went back to replacement, and that block was removed, and it was a serious block at the time. I am not going to explain why it was a serious block; if you want to ask me questions on it I will tell you.

The CHAIRMAN. We know about that.

Mr. RAIDER. I want to talk lightly on these, and then get to the main block in the builders' program, as I see it.

The next thing that came up was the 608 investigation, and a more serious block you couldn't find. That brought about the so-called gray list with the result that many substantial and efficient builders were disqualified from going into the cooperative program.

Despite what newspapers and certain people may say about these investments, nominal in character, certainly nothing is further from the truth. These builders were substantial, they went in with indemnities of a half million, a million, and \$2 million on certain projects, and as high as \$5 million in indemnity on \$25 million projects, and the housing program in the city of New York needs them. That, of course, isn't a complete block, either, because there are always other builders, and they are good builders, but you have limited the amount of builders that you can take from in order to develop the program.

The next block as a result of the 608 investigation was the very bad publicity that the builders got and the FHA got. I think it was undeserved. I think it was nothing but a series of half truths, and what it did was discourage the public, and I know of projects where there were 100-percent sales ready to close where 5 or 10 percent would close out, and the matter couldn't close.

As a matter of fact, I have a couple of those projects that I am working on at the present time. Those people have waited 2 years, and the only reward they have gotten for waiting 2 years, in view of those few cancellations they had, was the fact that their carrying charges have gone substantially up, and that is through no fault of the builder but the increased tax rate and increased construction costs have risen within the past year and 6 months.

The next thing that blocked the program, and this is the main part of my discussion, and I may be a little technical when I speak of it, is this business of identity of interest and the lump-sum contract.

The CHAIRMAN. When you say identity of interest, what do you mean? What particular part of it are you talking about?

Mr. RAIDER. I am talking about the part of it relating to the cooperative program in connection with the relationship between the builder and the cooperative consumer. In other words, what I want to bring out is in 608's and 207's we always had an identity of interest in every

case. In other words, the builder had one corporation build and another corporation which was the mortgagor corporation. He built the job, and then operated as a rental job after he built it. That is what I am coming to.

After these hearings of last March and April, when they had a substantially good bill except for replacement cost being substituted by valuation, Congress threw into the act the certification of cost. Now, they threw it in and it related—they use the identical language, as a matter of fact they followed with section 207 and 213—they followed up with the language as to identity of interest. It is my belief that Congress intended to avoid the mortgage-out process in 608. I don't think they attempted to go any further. However, we were met with a problem.

The act, itself, after stating that there would have to be a certification of cost, and you would have to have a ratio of the approved percentage to the cost of the construction, went on to say that in defining the term "cost"—

The CHAIRMAN. That is in the report, isn't it?

Mr. RAIDER. I am looking at it from the act. I have the 1954 act here.

The CHAIRMAN. All right.

Mr. RAIDER. Because the 1955 act doesn't go into this, it merely goes along with it, and, in fact, in the act it says if the mortgagor is also the builder as defined by the Commissioner—well, the act called for a definition by the Commissioner. So the Commissioner came along in September of 1954 in his rules and regulations, and he states that prior to initial endorsement for insurance of a management-type project the mortgagor, the mortgagee, and the Commissioner shall enter into an agreement in form and content satisfactory to the Commissioner for the purpose of precluding any excess of mortgage proceeds over statutory limitations.

Under this agreement, the mortgagor shall disclose its relationship with the builder, including any collateral agreement, and agree to enter into a construction contract, the terms of which shall depend on whether or not there exists an identity of interest.

The CHAIRMAN. Well, now, what is wrong with that? Why shouldn't he disclose it?

Mr. RAIDER. I think he should. We have disclosed it and intend to disclose it. I am not complaining about the definition, it is a good definition. I am complaining about the application of the definition.

The CHAIRMAN. All right.

Mr. RAIDER. We go ahead and the Commissioner then provides that if there is no identity of interest the builder is entitled to a lump-sum contract. On the other hand, if there is an identity of interest it will be a certification job with the builder receiving a certain builder's fee.

We then go ahead and leave that and go to the directive, because the directive is the next step down the line, and we have a directive known as the C. H. Letter No. 110 of October 7, 1954, and that directive intends that particular section in paragraph 2, intends to define under what circumstances there shall be deemed an identity of interest. In other words, the local office isn't even given leeway on that. Washington, through its directive, is telling the local office what is and what is not identity of interest, and it says here, "When the general con-

tractor or any subcontractor advances any funds to the mortgagor or arranges for any financing for the project other than that necessary for carrying out his or its own contractual obligations"—well, when this program started to lag, I went down to FHA. I have a number of projects ready to go, some being processed, others waiting to see if they should go in and process, and I said I am willing to come in for a builder and meet with a disinterested attorney and a disinterested cooperative corporation, and make a contract with them at arm's length. They will have their own supervising architect. They will have their own managing agent, they will have their own attorney, they will form their corporation, I will tell them what I have to offer, and they will take it or they will leave it. That was satisfactory, we got along to a certain point until I brought out the provisions of this directive.

New York, of course, could not override a directive of Washington, so it meant going to Washington and sitting down with the Commissioner, and sitting down with the chief counsel to the Commissioner, and discussing this phase of it. It was my contention that there isn't a group in the city of New York of five or more individuals who want a cooperative apartment who have the financial ability to actually prepare plans, obtain a site, and assemble the parcel, lay out a \$2 million job, I will assume that, that is more or less the average, pay a commitment of \$6,000, pay a standby fee to the bank of \$10,000, go through a sales program that can run from twenty to forty thousand dollars, and then find out that if they haven't got sufficient sales they have lost fifty to seventy-five thousand dollars. There isn't such a group here because my people that can afford to do that don't go into cooperative housing.

So I said the builder out of necessity had to make these advances to the co-op, and I went further. I said that if the program failed, and it could fail because of failure of sales, that the builder would underwrite it, and any loans made or advances made to the cooperative group would be canceled if it didn't close. If it did close, the builder, of course, would be reimbursed out of the carrying charges of the first advance, and everybody would have been happy.

We went to Washington a few times. We submitted this proposition to them. We wait 6 weeks for a decision I think the first time, and we got a negative decision. I didn't mind a negative decision, but I wanted a fast decision. They called us back again a short time later. They called us. I didn't go to them again. And we discussed the question all over again. That time I didn't even get an answer.

Now, I was hit by counsel in Washington with this statement: It is congressional intent that certification of cost must appear in 213. I said, well, if it is I want to know it because if it is there is not going to be a program, as far as I can see, and if that is not the intent of Congress there is no reason to hold up a program that is a good program. It was my contention that what Congress intended to do was merely to prevent mortgaging out. The mortgaging out situation does not arise at all under the 213 program, and I say that even if there is domination and control of stockholders, which we have in all of this litigation that goes back and forth, and the reason I say that is this: No matter how much domination and control the builder may have exercised over the cooperative during the course of construction, when that building was finished he was not interested in it, he

was not the managing agent, and he didn't collect rents for his own purpose. He couldn't build and mortgage and rent out the property, and have that benefit as was the claim in 608.

Therefore, I say the intent of Congress was not to limit them in that respect, and after certification. I say yes, there should be certification where there is that domination and control even though the act doesn't say it, but I say where a builder deals with an independent cooperative group, their own attorney, their own managing agent, and supervising architect, that if he comes to them with an agreement for a lump sum contract they either take it or leave it. If they don't want it, they don't have to have it. But he shouldn't be compelled to certify costs particularly when he isn't guaranteed any specific profit as in a cost-plus contract, nor is he guaranteed against losses.

Now, there was a recent increase in steel. Steel went up from \$180 or \$190 to \$290 a ton. If there is going to be certification of cost, there should be a guaranty of a certain amount of profit, or at least a guaranty against losses. But the act doesn't contemplate that, and the directive is going off.

What Washington is doing about that directive at this time I don't know. My suggestion would be that where there is no domination or control, and that is a separate entity outside of this advance business, that there should be a lump-sum contract. Where the FHA finds domination and control, they may then say certification of cost, because you may not be dealing at arm's length, and there should be some limitation on your profit when a person isn't entitled to know exactly what they are buying.

That is my suggestion with reference to the identity of interest question.

The CHAIRMAN. You are referring, of course, to a regulation. You are not making a recommendation for any change in the act?

Mr. RAIDER. No; I say the act is all right as it stands. I even say that the rules and regulations are all right. I am referring to a sentence in a directive issued by Washington last October. It could be done in 5 minutes, and the chief of the cooperative group in Washington made the statement that if the Commissioner approved it, it would take 5 minutes to do it. You would just delete it and issue a directive.

The CHAIRMAN. If he approved it, you say there wouldn't be, but what is the Commissioner's contention as to whether or not there would be mortgaging out?

Mr. RAIDER. The Commissioner in this case has relied upon advice of counsel.

Mr. ADDONIZIO. Will you identify counsel for the record? What is his name?

Mr. RAIDER. Well, if you want me to, I will.

The CHAIRMAN. Chief Counsel?

Mr. RAIDER. At this particular conference it wasn't Chief Counsel. Chief Counsel couldn't be present. It was one of his assistants. I will identify him off the record later on.

Mr. O'HARA. What is the objection to doing it on the record?

Mr. RAIDER. I will identify him. Mr. Prothero.

The CHAIRMAN. The Chief Counsel at that time was who, Mr. Meistrell?

Mr. RAIDER. Mr. Frank Meistrell. He wasn't able to come in, so he had Mr. Prothero come in.

Later on we met with Mr. Meistrell. The matter was referred to Mr. Prothero, and he had the decision to make.

Mr. BARRETT. What do you think causes the indecision?

The CHAIRMAN. It is not that. It is a matter of decision already.

Mr. RAIDER. Yes; at this time; but I do think that they are still considering this.

I say this, they want Congress to tell them their intention, but I say if you want that ask Congress, ask the committees. If they don't want a program, all right, we will go out of it, but why devote time and effort on a program that is not going to go ahead if the people are not willing to push it.

I want to say this about the New York office. There has been a lot of criticism thrown on the New York office. I have read the papers the last couple of days. It isn't the New York office. With a directive like this the New York office cannot do a thing.

Mr. BARRETT. Just one other point: You say that you expect that you could get an answer within a very short time, and it took you 6 weeks to get it.

Mr. RAIDER. It took us approximately 6 weeks, and then they called us back a couple of weeks later, and then I never got an answer. I never got an answer. I never bothered about it.

I will say this, if you have certification of cost, and I don't think it is proper—

Mr. BARRETT. Just one other point: Would you say that is caused by 608 scare?

Mr. RAIDER. I will say in this respect: You had the 608 scare. Evidently the present administration and the FHA office is fearful that if they go into a program they may have an investigation 2 or 3 years from now, and rather than do anything they will sit back and do nothing. Well, I think they should be criticized for doing nothing, because if you are going to be afraid of what happened you will never advance in the construction field here. You will never have any housing.

The CHAIRMAN. Well, of course, I think you will agree we want the FHA to carry out the intent of Congress, and I am sure they want to, and we want them to do it without undue delay, but on an important matter of that type it would take some time to arrive at a legal disposition as to the interpretation of it.

Mr. RAIDER. Well, it depends on what you do to arrive at that decision. If I wanted to get a person's intent I would ask the purpose. If I wanted to get the intent of the body I would take some steps to get in touch with the subcommittee on housing, or the main Committee on Banking and Currency. Get in touch with Senator Capehart, or somebody else.

The CHAIRMAN. Of course, they cannot operate by getting in touch with individuals. It is their job to interpret the intent of Congress. No individual, even the chairman of the committee, can give an authoritative statement on the intent of Congress, even though he sat through every meeting of the committee.

Mr. RAIDER. Yes; but you can go through the reports carefully, and when we try to pinpoint the individual on where he showed congressional intent in certification of costs in 213, he started reading, and

he read and read and read and while he was reading we interrupted him and said aren't you reading Mr. MacKenzie's report in connection with the investigation? We said we aren't interested in investigations or reports. We are interested in congressional intent.

In addition to that, everything that he stated from MacKenzie's report was what we were trying to avoid in the new program as we were trying to push it. We were trying to completely eliminate domination and control.

The CHAIRMAN. All right, let us go along now.

How far have you gotten with it now? By that I mean not with your statement, but with the business of getting the exact opinion of FHA and is it workable at this point?

Mr. RAIDER. Insofar as the elimination of this problem, and whether the program will work?

The CHAIRMAN. Yes.

Mr. RAIDER. I think the program will work. It is the only workable program in FHA. I do not think 207 is workable, and I do not think that 220 is workable in a housing shortage. I think a cooperative apartment is the only solution to the problem for middle-income groups.

If the tax rate goes up it is not the fault of the builder. They start taxing cooperatives at 100 percent. Now, we have a 78-percent scale. I think it will work.

The CHAIRMAN. Is there any trouble getting financing for cooperatives?

Mr. RAIDER. No trouble at all. The builder is ready to risk the commitment fee, the standby fee, an expensive sales program. He just wants to know that by doing it he isn't penalized by certification of cost. In other words, if we didn't do that, if the co-ops were able to do it—and I wish they could—we wouldn't be confronted with this, and we would have a clear job with a lump-sum contract. But because we have this here, if the builder does all of that, and he is willing to forfeit his moneys if it doesn't go through, he is labeled with an identity of interest.

We are only too glad to do it. We have that much confidence in the program.

The CHAIRMAN. What is the market price for 213 mortgages? Is it at par or not?

Mr. RAIDER. Ninety-eight and a half. That is another point. There is a little reluctance on the part of banks to go into the 213 program. Under the old program it was 98½ percent. There were a few banks who were in it. They have withdrawn. The reason they have withdrawn is they held these large mortgages in their portfolio for a year or 2 and nothing happened. They couldn't just keep their money there. They had to have it working.

The CHAIRMAN. Well, will the new \$50 million Fannie Mae revolving fund help here?

Mr. RAIDER. I heard some bad reports. They want a 6-percent discount fee on it in addition to filing costs, and they ended up with an 8½-percent fee, which would be more than the builder's fee, so Fannie Mae doesn't look too good at the present time.

Mr. GAMBLE. Well, who would be getting that discount?

Mr. RAIDER. Fannie Mae. Fannie Mae would be making more than the builder and the builder could lose. Fannie Mae could not.

The CHAIRMAN. We have had some question raised about the propriety of FHA charging fees for processing 213 cooperatives. What do you think about that? Are the fees reasonable, or do you think that deters the program?

Mr. RAIDER. You are referring to the initial fees?

The CHAIRMAN. Yes.

Mr. RAIDER. Well, anything that could be cut down would help the co-op naturally, but I don't think it plays too big a part in the overall picture. I think it is minute with respect to the entire amount. They could get out an inspection fee. When 608 started there was no inspection fee, and that was added later.

The CHAIRMAN. Can a cooperative get underway here in New York without the builder taking the front lead in doing it?

Mr. RAIDER. Yes, sir.

The CHAIRMAN. Describe that for me, please.

Mr. RAIDER. In 2 ways, and I am handling 2 particular cases at the time. The first way is we have a group on a particular job where there is about 80 percent of sales. I think the job was about 180 units, and had about 140 co-ops. The job had to stop because the builder was on the gray list and refused to file the questionnaire. I won't go into the 608's now.

The CHAIRMAN. That is handled by another committee.

Mr. RAIDER. As a result, a client of mine is attempting to purchase the job from the other builder. They have their group. They already retained an attorney. Their attorney came down and spoke to me. I told him that he should organize his group, and when he had an organized group I would sit down with him and I would give him the figures, the construction figure, and everything else. If they were satisfied to take it, we would be happy to do business with them. If they wouldn't be satisfied, we would have to look elsewhere.

That is one setup. I have no control over those people. I appeared at a meeting last week where their own attorney was present. I told them what I thought the carrying charges would be. I told them what I thought the downpayment would be, and I told them that they should select their own attorney, that they should select their own managing agent, and so on, that I would be glad to meet them and if we could give them preference rather than any outside group because they are in this project for 2 years without any construction starting, that I would be happy to go along with them. That is one setup.

The plans in that particular case are ready to go. If there were no certification, I don't think it would take 2 or 3 weeks before a shovel might be put in the ground there. The title is all set. Everything had been ready.

The other situation is a situation where I communicated with Mr. Tretter, who is an attorney known in the cooperative field not only from 213 but in other cooperative ventures. Mr. Tretter cannot certainly be deemed sympathetic to the builders' interest. He is one of the attorneys for the plaintiff in the North Ridge case, which is one of the prime cases in the cooperative setup, and I told him if he would organize a cooperative corporation that I had builders who had a particular location, that I would be glad to meet with him and discuss it. He could organize and naturally he would have to have his own dummy organizers because of the fact that you cannot have legitimate



stockholders authorize the corporation until they buy apartments. They cannot buy apartments until the commitment issues, and we have to do business before the commitment issues.

And he said what he intended to do was as soon as the sales went into effect, and he had about 10 percent sales, he would then substitute the bona fide purchasers of apartments for whatever nominees he put into the board, and they would ratify any contract.

The CHAIRMAN. What you are telling us, then, is that a cooperative can be started and established on the initiative of the people who expect to live in it, and not on the builder's initiative alone?

Mr. RAIDER. At the point where commitment is about to issue by FHA where the builder is in position to give him a certain fixed contract fee, and other contractual obligations.

Now, I just want to add something else: There is a difficulty in Washington insofar as centralization of power is concerned, and that is where this delay and indecision comes. The 1953 act provided for a special assistant commissioner. The 1954 act omitted it. It was a fatal omission, I think. The 1955 act brought it back, but no special assistant has been selected yet.

The CHAIRMAN. You mean special assistant in charge of co-ops?

Mr. RAIDER. Yes.

Now, if there is somebody that we can go to who knows the problems and will be able to advise—I say who knows the problem—when you go to counsel he is handling not only 213, he is handling everything. When you have a special assistant in charge of co-ops, I assume it will be somebody who knows the program. You will be able to discuss the problem, get a decision, and get it fairly fast.

The CHAIRMAN. You say there ought to be an assistant as the law provides specifically charged with promoting 213 on cooperatives?

Mr. RAIDER. Yes.

The CHAIRMAN. I am sure Congress felt likewise or we would not have put it in the law.

Mr. RAIDER. But there has been nothing done about it.

Another thing, if this program should break I think the FHA office in New York is not sufficient in personnel. There are a lot of cases to be processed. They will all be thrown at them, and there will be a delay in a bottleneck there. They need more personnel. They have always needed more personnel. I think it is a self-sustaining unit of the Government. I don't know why they don't get it.

The CHAIRMAN. They need more personnel, and I am one who will say better paid personnel if they are going to handle all of these big business contracts.

Mr. RAIDER. It is the biggest business in the country.

The CHAIRMAN. Any questions here, gentlemen, or any further statement?

Mr. O'HARA. Yes, Mr. Chairman.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. I should like to say this: That if you had the legal opinion on this in less than 6 weeks I would have thought that law department in connection with the Washington office was negligent. You know and I know the background of cooperatives. There is a distinct difference between a consumer-initiated cooperative and the builder-initiated cooperative.

Now, the past history of cooperatives initiated by builders is not too helpful.

Mr. RAIDER. We are trying to remedy that.

Mr. O'HARA. Certainly you are trying to remedy it.

Now, you cannot expect to go to Washington, present your side earnestly and to get a legal opinion on something which is very important and complain if you don't get it in less than 6 weeks.

Mr. RAIDER. But this directive was passed in October of last year. This is September of this year.

Mr. O'HARA. I think that you are largely interested in the builder-initiated cooperatives.

Mr. RAIDER. Initiated up to the point of commitment where the cooperative group steps in. I don't see how they could step in before in the city of New York.

Mr. O'HARA. Don't we have other groups? I know we do in Chicago, consumer groups; in certain parts of the West American Legion posts have handled such things.

Mr. RAIDER. Union groups can operate it, but I don't think we would risk not having it go through in the city. When you have union groups, they don't go strictly 213. They go to the city of New York and they get themselves tax abatement, and they have apartments that sell for \$25 or \$30 a unit and that helps them, which is something we don't have.

Mr. O'HARA. Thank you for your testimony. I think the director of a union or consumer initiated co-op is entitled to great credit. He renders a great service.

Mr. RAIDER. Provided he knows his business.

Mr. O'HARA. Yes.

The CHAIRMAN. Let us sum up for a minute and see if we can get this for the committee and the record.

As I get it you say there have been roadblocks along the way, but you feel now that the cooperative program may be ready to take off.

Mr. RAIDER. There is no question about it, assuming that the mortgage market goes along.

The CHAIRMAN. Assuming that the mortgage market goes along and at the present time you seem to feel that the financing is there.

Mr. RAIDER. You mean the financing from the mortgage end of it.

The CHAIRMAN. Yes.

Mr. RAIDER. I think it will come around. You have 4½-percent one-family mortgages, and 4¼-percent cooperative mortgages. The quarter of a point shouldn't make too much difference. The banks don't like all of this adverse publicity. There have been banks in it before. I think there will be banks that will go along with it.

The CHAIRMAN. Just one other question. You know, of course, that the Congress put in the cost certification and anybody knows that the reason Congress put it in was to stop mortgaging out. There is no question about that.

Mr. RAIDER. I say that was the only reason.

The CHAIRMAN. Do you think now that the rulings of the FHA on cost certification that mortgaging out in cooperatives will be stopped, or will be prevented, would be a better way to do it?

Mr. RAIDER. I think if cost certification stays in you will have a certain number of jobs where the jobs have been processed and the

builder is in so deep that he has to stay in it. I don't think you will find builders going out assembling land with the idea of going into cooperatives. If they are not in it they won't go into it. I also think that many builders who are in with processing may withdraw with certification of cost and lose what they have already invested, and those investments are substantial.

The CHAIRMAN. Do you mean to say if Congress retains in the act the cost certification and the FHA insists that it be utilized in cooperatives to prevent mortgaging out, do you say that that will stop the cooperative building?

Mr. RAIDER. No; if the act stays as it is, if the rules and regulations stay as they are, if that directive is changed you have a sufficient change. It is a 5-minute change. It is a change you have to worry about in the 1956 act, or anything like that.

The CHAIRMAN. From your statement it appears that we can expect some progress in 213, then?

Mr. RAIDER. There is no question about it. I have been with this day after day for the past 8 months.

The CHAIRMAN. Well, you seem to understand it. I thank you for a very good statement, a little technical, lawyer to lawyer, as it has to be.

Thank you very much.

Any questions that you gentlemen want to ask?

Mr. WIDNALL. Mr. Raider, would it be helpful to the program if the city assembled the site and cleared the site and sold to the highest bidder?

Mr. RAIDER. You mean from the respect of having a consumer-sponsored co-op? It might well be, except for this: That they have a great deal of expense in addition to that. They have to start the preparation of plans. They have their application fees. They have their processing with the bank and the bank fees and, to be very frank with you, too many banks don't like to do business with cooperative groups of people who are not substantial in means. They are substantial in every other respect; they are just not substantial in means.

I know that from the attitude of various banks. I know there have been true co-ops started, and I think one of them started in Washington where it was just as you say—except I don't know whether they got the property from the city or where, but they were unable to go ahead because they could not get mortgage financing. They eventually had to go to the builder and say help us out. He had to get mortgage financing.

It is just that the banks want to deal with people who are substantial in means, so I don't think it would succeed on that basis, and the people are not experienced at that point.

I say if the job is processed up to commitment, they don't have to take it at the price that is fixed in the construction contract. They take it or they leave it.

The CHAIRMAN. Thank you, Mr. Raider, very much for appearing. We appreciate your coming before our committee.

The next witness is Mr. Max Tretter, attorney, who also, I assume, will discuss 213 cooperative housing.

Come around, Mr. Tretter.

Mr. TRETTER. Thank you, sir.

The CHAIRMAN. We are delighted to have you here.

You may proceed as you see fit. We will ask you questions as you go along if something arises in the interest of conserving time.

(Discussion off the record.)

### STATEMENT OF MAX TRETTER, ATTORNEY, NEW YORK CITY

Mr. TRETTER. Mr. Chairman, gentlemen, I appreciate this opportunity to appear before you.

I guess that there might be a question of time. I thought I would be rather close on the luncheon hour.

The CHAIRMAN. We shifted this for the simple reason that we wanted to have the FHA on after you testified if any questions came up.

Mr. TRETTER. I understand.

Guessing that there might be a question of time, I thought it would be prudent to prepare a statement which I am not going to read.

The CHAIRMAN. We will be glad for you to put it into the record in complete form.

Mr. TRETTER. I appreciate that very much. I do have a few copies. (The complete statement of Mr. Tretter is as follows:)

#### STATEMENT OF MAXWELL H. TRETTER, Esq.

I am an attorney engaged in the general practice of law representing many section 213 cooperative housing corporations, in all cases from the point of view of the consumer of the housing or the tenant-cooperator, as we use the term. I also represent and am executive vice president of several redevelopment company housing cooperatives not under the FHA program. For 10 years I served as executive director and general counsel of the New York City Housing Authority. Although I am a director of several civic organizations concerned with the development of good housing for the consumer, I make this as a personal statement and not on behalf of any organization. And I do appreciate this opportunity.

My observations will relate to the reasons why the section 213 cooperative housing program has not got off the ground under the 1954 Housing Act, and suggestions as to what should be done to activate and improve that program under the legislation as amended in 1955.

We may assume that the change in the formula to "replacement cost" and that the designation of a special assistant to the commissioner for cooperative housing will help to stimulate and develop the program. But more things will have to be done to correct the abuses which have caused disillusionment and disappointment to many people—tenant-cooperators, builders and mortgage lenders—under the original section 213 program.

#### SPONSORSHIP

Probably one of the most difficult undertakings in the housing field is to generate a genuine, full-fledged consumers' cooperative housing project right from scratch. It is naive to expect a group of inexperienced, though vitally interested, people to be able to develop such a project with all its complexities in law, finance, administration, planning, and construction. As a practical matter, the know-how and the drive must come from some other source. Also, a substantial amount of preliminary working capital—risk capital—is essential. Seldom will prospective tenant-cooperators be willing to risk the money necessary to advance a project to the point of fruition.

This situation therefore leads to the fundamental proposition that sponsorship is essential if we are to achieve middle-income housing cooperatives on a large scale. Sponsorship may come from various sources: (1) The Government itself—Federal, State, or city—could be a sponsor, develop a housing project and then sell it out to tenant-cooperators. This method is not desirable if it can be avoided because it would involve direct governmental activity in a field which should be undertaken by private enterprise. (2) Insurance companies and savings banks in this State are authorized to construct housing projects.

These may be converted into cooperatives. This is not a bad approach since the institutions can advance the equity capital and they can develop the technical knowledge that is necessary. At this time, however, we cannot rely upon insurance companies and the banks since most of them are busy with other primary functions and, as a matter of policy, they seem to be veering away from direct construction of housing. (3) Sponsorship may also derive from a nonprofit organization, like a foundation, a labor union, a credit union, or a group of public-spirited citizens. This source of sponsorship has a great deal of promise and probably will grow as time goes on. At present, however, this process is slow. Some notable cooperative housing projects have been achieved by this method, but by far and large the program cannot be extensive under this method for some time; and the need is great right now. (4) Sponsorship may come from a builder or an owner of the site. This has been the major source under the original section 213 program. Because of the novelty of that program, however, and the process of education which all parties—the FHA, the builders, and the tenant-cooperators—have had to undergo, a multitude of difficulties, disputes, and lawsuits ensued. Many interested parties have become discouraged.

If we are to achieve significant results under the present legislation, we can do so only by learning from past experience and making a new start. Consequently it would be a mistake to put unnecessary obstacles in the way of the builder-sponsor. With the safeguards that have been provided in the current FHA regulations to protect the interests of tenant-cooperators, and with the impetus of recent legislation, the attitude should be to encourage the builder-sponsor to come back into the program.

In order not to circumscribe the new section 213 program, this committee may wish to examine the procedure by which, it is said, the FHA has established a blacklist of section 608 builders. Some of the most enterprising and efficient builders engaged in the 608 program. If they are barred from the section 213 program for that reason only, the cooperative consumer will suffer. With the safeguards and procedures under the revised section 213 program, it may be that the FHA should take a new look. A blunderbuss blacklist, if it exists, may be comforting to administrative officials but a more discriminating approach to the problem may help to produce some good cooperative housing for the consumer.

#### SPECIAL ASSISTANT FOR COOPERATIVE HOUSING

The legislative requirement that there be appointed a special assistant for cooperative housing is a very good approach and should help. It should be obvious that the special assistant alone or with a few staff helpers will not accomplish the result which is intended. But the obvious is not always provided for especially when it requires an appropriation and expenditure of additional funds.

To be really effective, there should be established within the FHA organization a cooperative housing division with the special assistant in charge. And he should be in charge with a full measure of authority, power and responsibility, acting at all times, of course, under the supervision and direction of the FHA Commissioner.

The Washington office and the district offices must be provided with adequate staff. We realize that the law talks about an adequate staff, but there could be a whole range of opinion as to what is adequate. There are disquieting rumors that the only new thing to be added will be the routine appointment of a special assistant who will be fitted into the present inadequate arrangement for handling the important business of cooperative housing. If that is so, it will be a travesty upon the intent of Congress and certainly no aid to the cooperative housing program.

Regarding the importance of proper organization and staffing, we should consider that in developing a cooperative housing program where thousands of families really look to the Federal Government for protection, the FHA approach must be altered to give more positive aid and assistance to the cooperative corporations and the great mass of tenant-cooperators. The previous FHA philosophy of being strictly an insurer of a mortgage and dealing only with a bank or a builder may be sufficient for other types of FHA programs, but it is fatal in efforts to develop a cooperative housing program. In a cooperative program the FHA attitude must be a positive one oriented much more to the interests of the tenant consumer. Although the FHA does not have the immediate responsibility of constructing the project, it must nevertheless take on more of the responsibility of an operating agency and be ready to do things for the cooperative corporations, and not act simply as a review agency. Per-

haps this type of service may not be necessary after more nonprofit private groups are sufficiently established to assume that function on behalf of the inexperienced would-be tenant-cooperator

#### MORTGAGE LOANS

In reviving the cooperative housing program we cannot at this time be too complacent about the availability of mortgage loans. In normal circumstances a mortgage loan at  $4\frac{1}{4}$  percent interest, fully insured by the FHA, should be attractive to lending institutions. We are, however, in a tight and uncertain money market and it cannot be taken for granted that the lending institutions will be seeking these cooperative housing loans.

Furthermore, as a result of the difficulties and disputes arising out of the original section 213 program, some banks which have previously participated have become disillusioned and discouraged.

Rather than leave this important phase of the program adrift to find its own moorings, we feel that the FHA should at the start take an active part in soliciting the interest and participation of all lending institutions. The FHA might well call a conference of savings banks and other lenders to explain the new developments in the program and to obtain suggestions from the institutions. This should insure a broader interest and make these loans more attractive. With competition for such loans, the interest rate need not always be at the maximum.

On the other side of the coin, we feel that the banks themselves should assume more responsibility with regard to the loan and not rely entirely upon FHA insurance. This situation varies among the banking institutions and we do not imply that all of them have failed to assume their fair shares of the responsibility. There are, however, some cases where the attitude of the banks has been callous to the problems of the project and the tenant-cooperators, and it is usually this type of institution that has taken the least interest during the planning and construction stages. A lending institution, even where its mortgage loan is insured, should make a careful review of plans and specifications and require such improvements and changes as it would under conventional circumstances. Also, the bank should take a more active part during the construction stage and at least make sufficient spot inspections to satisfy itself as to the method of construction. Finally, although the builder-sponsor may be the initial customer for the loan, the bank should realize that the cooperative corporation is the real borrower and that the bank will have to live with the cooperative corporation and the tenant-cooperators for the life of the loan.

#### FEDERAL NATIONAL MORTGAGE ASSOCIATION LOANS

The authorization given to FNMA to purchase section 213 mortgages from a \$50 million revolving fund will help where difficulty is encountered in placing such loans with private institutions. But if there is lack of general interest on the part of lending institutions, FNMA will not help very much in a large community like New York, particularly when FNMA is restricted to 10 percent of its total authorization in any one State. Consideration should be given to enlargement of the FNMA powers to purchase section 213 mortgages in two ways: (1) Increase the amount of authorization, and (2) permit more flexibility within the amount authorized so that if one State has exhausted the amount allocated to it, it should be eligible for more when other parts of the country fail to use the FNMA money.

We suggest that the regulations recently issued by FNMA covering section 213 mortgage loans warrant review by this committee. It seems that costs to the borrower would be:

One percent nonrefundable application fee.

One-half of 1 percent purchasing fee.

Ninety-six of par would be paid for the mortgage.

One-half to  $1\frac{1}{2}$  percent charged by the original processing bank.

Net to the cooperative corporation which is the borrower would be about 93 $\frac{1}{2}$ -94. Assuming a certain capital cost, the difference between the amount received and the par amount of the mortgage must be made up by additional equity investment on the part of tenant-cooperators. This type of regulation as a basis for FNMA loans may well negate the intent of Congress.

## REAL-ESTATE TAXES

One of the real sources of friction in the original section 213 program was the shock on the part of tenant-cooperators over the real-estate tax item. This was due to the fact that in almost every case the tax at the time of occupancy of the project was much greater than that estimated at the time the project was first initiated. Some of the causes were beyond the control of all parties. For example, an increase in the tax rate is applicable to all property in the city of New York and tenant-cooperators cannot fairly complain that the rate at the time of occupancy is substantially higher than the rate which existed at the time the operating estimates were first made. The tax-rate problem was often aggravated by the long period that elapsed in the case of many projects from the time that the stock subscriptions were sold and the date of initial occupancy.

The major difficulty with the real property tax arose out of the substantial variance between the original budget estimate and the actual figure of assessed valuation of the property. Having no knowledge of the methods that were used by the FHA appraisers in computing the original estimated assessed valuations, I am not in a position to explain why there should have developed such a large gap. We suggest, however, that there should be a much closer liaison between the Federal officials and the city officials concerned in this matter. They should consult with each other and attempt to reconcile their points of view. I have in mind another arm of the Housing and Home Finance Agency, the Public Housing Administration. When the PHA decides to give financial aid to a public-housing project in a community there is usually a very close working relationship between Federal officials and local officials. We should have more of that in the section 213 program.

Still with regard to tax features there may be certain situations in which a section 213 cooperative housing project would be entitled to tax limitation or abatement under the existing laws of the State. In New York State we have legislation relating to redevelopment companies, housing companies, limited profit companies, all of which are good vehicles for cooperative housing. These laws have been utilized in several cooperative housing projects but very few have been developed with FHA mortgage insurance. The FHA should take a more active interest in exploring such possibilities so as to make more good housing available at lower carrying charges for middle-income families.

## MORTGAGE INSURANCE PREMIUM

I have no knowledge of the actuarial basis in establishing the mortgage insurance premium for FHA insurance in general and insurance of section 213 mortgages in particular. It would be in order, however, for this committee to review the basis for the premium in the section 213 program. Usually the projects are large. It is acknowledged that the monthly carrying charges for this type of cooperative housing are generally less than rentals for similar accommodations in rental housing projects, both FHA and conventional. The tenant-cooperators who reside in these projects have made genuine equity investments. There is a great measure of stability built into these middle-income cooperatives. It may be therefore that the present scale of mortgage insurance premium is excessive. Anything that can be done to reduce this premium and still protect the interests of the Government would help to reduce monthly carrying charges and thus encourage the development of more section 213 housing cooperatives.

Should there be any reduction in the mortgage insurance premium, the same scale should apply to the existing projects as well as to those that are contemplated.

## TIME LAG

In the past, one of the sources of discontent on the part of tenant-cooperators has been the long period of time between sale of stock subscriptions for the apartments and the fruition and occupancy of the project. In many cases this period has been several years. During this lag tenant-cooperators become restive. Wild charges are made against everyone involved in the program. Those in urgent need of living quarters are compelled to make other arrangements and the whole program proceeds in an atmosphere of stress and strain. A method must be developed to shorten this period.

If there were adequate FHA procedures, there may be some builder-sponsors who would be willing to assume the risk of starting construction with their own funds under FHA inspection before the sale of the stock and before final arrangements have been made with lending institutions. The builder would have to

obtain the FHA commitment to insure the mortgage upon certain conditions. Thereupon he would commence construction without being required to have the apartments sold. The FHA, however, would not be required to endorse the mortgage note and approve the first mortgage advance until the builder had met all of the rules and regulations for that stage in the project. This type of venturesome approach should be encouraged—since the risk would be all on the builder and none of it on the FHA.

We should also consider the possibility of permitting a sponsor to start a project under a rental section of the FHA housing program, like section 207, and to convert at a later stage to cooperative housing under section 213. Whatever reduces the time lag from initial sale of the stock to occupancy of the project will help to make for more satisfied tenant-cooperators and more friends for the cooperative housing program.

#### ARCHITECTURAL PLANNING

It seems that the architectural design of the section 213 program should receive more attention from the sponsors and from the FHA. Sponsors have a natural tendency to repeat types of plans previously approved. They feel that they will get speedier approval and they have a better idea of what the costs will be. But if we get too much uniformity, we will lose the values of ingenuity and improvement in design. And the cooperative housing projects will begin to take on an institutional look without variety, beauty, or attractiveness.

In addition to the exterior and site planning, the FHA might review its minimum requirements for facilities within the buildings. Many of these projects take on the character of complete communities. Some of them house more people than certain towns and villages. Consequently, provision should be made for adequate community facilities, meeting rooms, management offices, play-rooms, etc. After all, we expect tenant-cooperators to convene at various functions and meetings so that living conditions will be more attractive on the basis of long-term homeownership.

FHA officials in New York and in Washington who are immediately and directly involved with the cooperative housing program are demonstrating a sincere effort to promote the new program based upon safeguards and improvements in the regulations which should adequately protect the public and at the same time encourage the sponsors. This committee can serve a great function by giving this tiny nucleus of officialdom encouragement, some real power and authority, an adequate staff, and an interpretation of the intention of Congress so that the section 213 program may become a dynamic force for the advancement of good housing in this and other communities.

Mr. TRETTER. Now, as I heard Mr. Raider's testimony, there will be some slight duplication, but I do want to emphasize that my point of view in the cooperative program is different from Mr. Raider's.

As an attorney I have represented and still represent many cooperative corporations in the section 213 program, but, throughout, my representation has been from the tenant stockholders or from the consumer's point of view, and it is from that point of view that I would like to discuss the section 213 program.

When I was invited to testify, and later when I started the preparation of this testimony, I asked myself the question, What can be done in a practical way to get this section 213 program off the ground, since we all know that under the 1954 legislation we have no cooperative housing program. I was approaching that question in my own mind not from the theoretical point of view. I know there have been numerous studies and pamphlets and European experiences, but many of those things are good, they have excellent ideas, but most of them do not fit into our way of doing things, or our legislation.

I was thinking of this problem: I was thinking of the immediate program, what can be done with present legislation, perhaps with some amendments on a practical basis. I also knew that this com-



mittee, and I can see from the questions is concerned with the question of sponsorship, and the related question is how do we get true consumer cooperatives.

I think as a lawyer we like to define what we mean by consumer cooperative. I am not going to be technical about this at all, but I have represented the point of view of the consumer. In fact, before the 213 program started I represented other types of cooperatives in the State of New York under our redevelopment companies' law. The mortgages there were not insured by 213. It was entirely before the program, and it is well acknowledged that those cooperatives, like Queens View, which I was and still am counsel of, and Kings View, which is on a title I site in the Fort Green area in Brooklyn, and we just started construction a week ago, those are considered true cooperatives.

Louie Pink, who is now deceased, was president of those cooperatives. We have men on the board of directors like Gerard Swope, former president of General Motors, people like the president of the National City Bank of New York, and those projects were known as true consumer cooperatives.

And I think it is only fair to say that those consumer cooperatives would not have been created if it were not for the organization and initiative of some group outside of the ultimate consumer.

In the case of these particular projects, Kings View and Queens View, it is a group of public-spirited citizens. These public-spirited citizens wanted to do a job for middle-income families, and they themselves advanced some of the preliminary working capital entirely at their own risk. They were to get no interest on their money, if the project succeeded they would get their money back, and if it didn't succeed it would be a loss.

They also gathered from cooperative prospects and made it into a true consumer project. That does not mean that the ultimate consumer was able to get together and organize and develop a cooperative housing project.

My first point is that I think it is somewhat naive to believe that the ultimate consumer can develop a cooperative housing project with all its complexities in the law of finance, administration, planning, construction. The driving force, the know-how, must come from someone outside the ultimate consumer.

There is also the preliminary capital to get a housing project underway. You cannot do it out of thin air. There are certain administrative expenses, preliminary work, preliminary plans, and a little bit of money must come from some source to get a cooperative for the consumer.

Now, I want to emphasize this whole problem of sponsorship a bit because I know that goes to the heart of getting what we like to call genuine cooperatives to eliminate all of the abuses and evils that we have been reading about in the previous section 213 program.

Very quickly, I think there are about four sources of sponsorship of a cooperative, and I pass over them very quickly because there probably will be questions on this: One would be the Government itself, Federal, State, or city government could build a housing project, and then convert it into a cooperative. I think that is sort of an easy way out, but I don't think it is a very good way because I

wouldn't like to see any of the governments in the direct construction operation of a project.

Give those activities to private enterprise, to private initiative, have let people do things for themselves, and only by laying their own problems and doing their job would they really appreciate it.

The CHAIRMAN. You mean for people who can do things for themselves. You are not talking against public housing?

Mr. TRETTER. Oh, no. As a matter of fact, I was executive director of the New York City housing for 10 years, and I am all for public housing.

I am glad you raised that point because I don't want any misunderstanding about that.

The second source of sponsorship in this State, at least, could be insurance companies and savings banks. They have the power under the law to use some of their surplus to build housing, and then they can convert that housing to cooperatives, and that is not a bad approach because these institutions certainly have the money and know-how to build these projects well and quickly, but at this point we cannot rely upon that source. These institutions are very busy with their primary functions, and in recent years their policy has veered away from direct construction. They would rather be in the secondary position as mortgage lenders, so we cannot rely on that particular source.

Now, the third source is what we call the true consumer type, some nonprofit group like a foundation, a labor union, a credit union, a group of public-spirited citizens like we have had in Queens View and Kings View. That has a great deal of promise, and although I have been and many members of those groups and have participated in the formation of that type of cooperative, I wish to say that from the immediate point of view I do not think we can get a large program. Each project is a great project, but you cannot get a large program that way at this time. There are a limited number of unions who would be willing to participate. There are some foundations and I am a director of one of them that are very much interested in this field, the United Housing Foundation, but it has very limited funds, a very limited staff, and a great deal must be done to develop that type of thing.

We talk about European experience in cooperatives in all of these agencies, but that has been going on for many, many years, and I am not familiar with the background of how that has developed. I do know it is going to take more time to have that type of nonprofit group on a large scale to develop a housing program which we need at this time for many, many families. It is a good source, but I don't think it can do the entire job at this time.

Then we come to the last one we call the builder-sponsored cooperative. Now, the builder-sponsor or the initiative deriving from a builder or someone who owned the piece of land, as we know has been the major source of sponsorship in the original 213 program.

I need not go into all of the programs. I am sure you gentlemen are familiar with them as a result of hearings, but the novelty of that program and the education which everybody had to undergo, the tenant stockholders, the consumer, the builders, the mortgage lenders, the FHA, it was new, and they wanted to do it quickly, and as a result

of that, of course, all of these difficulties and disputes and lawsuits arose.

However, under the new legislation in 1954, as amended in 1955, and particularly the new regulations of the FHA, and their effort to eliminate those abuses that have arisen, I think we have a grand opportunity for a new large cooperative program. I think the FHA has got to take a new look and all of us must take a new look, and in my opinion not put up these obstacles in the path of the so-called builder-sponsor as long as we have healthy regulations and a healthy staff to operate the program we should welcome the builder-sponsor back into this field.

I am not going to say what Mr. Raider said. There are possibilities of developing cooperative corporations which would be independent of the builder-sponsor. I have to go back to Mr. Raider's testimony because I feel in my own mind there is one point that ought to be clarified on this identity of interest because I am involved on the other side of the fence in trying to get a project underway for the consumer.

The main difficulty in this directive is that Washington has frowned on the idea that the contractor is going to make a loan to this cooperative corporation, and we are making the assumption that the cooperative corporation is independent of the builder.

It has its own counsel, its own supervising architect, its own management, and let us assume that it is entirely honest and that it is going to really negotiate with the builder at arm's length. What this directive said is, if the builder made a loan to this cooperative corporation for the initial expense, some preliminary expense, and if this builder also undertook to defray the cost of sales program, that is the kind of feature that Washington said we must frown upon, and that creates that kind of an identity which puts additional burdens on the builder.

Now, I say that is not right because if we start on the assumption that the builder will not dominate or control this corporation, the mere fact that he makes a loan for such preliminary expenses should not make it more difficult for him to build that job.

Now, even in these other true consumer cooperatives, we know that there are builders that have to build these projects. The builder gets a builder's fee in all of these things, and in the consumer cooperatives that I have been connected with it is acknowledged that a builder is going to make a profit on his contract and, therefore, we have no hesitancy in these other cooperatives of getting some money from the contractor along with some of the other public spirited citizens on the board to help launch this project, and as long as it is all disclosed to the stockholders, they all know where the preliminary money comes from, and there is no domination by the builder of the cooperative corporation, there is no evil, and it is that one particular point, I think if it were corrected in this directive would help this program.

The CHAIRMAN. Well, could not these advance loans between the builder and the cooperative be disclosed to FHA, and couldn't there be a type of contract to show that the builder did not have control over it?

Mr. TRETER. That was the purpose, to submit the entire agreement to the FHA, have nothing concealed whatsoever, all the cards on the

table. Then FHA could approve it. We would have a meeting with the initial stockholders and the program could be explained, and we could ask them to vote and ratify these arrangements if they wish, and, if not, there would not be a program but everything would be disclosed.

Mr. O'HARA. Mr. Chairman, I have always been a strong believer in the cooperative feature in housing. In Chicago in the late 20's we had a very unhappy experience with cooperative housing, and my difficulty among the people of the city that I come from has been to explain to them what we have in mind in the way of consumer initiated cooperative housing so that it doesn't go back to the terrible rackets we had in an earlier period with cooperative housing engineered by racketeers.

I feel that both of you gentlemen have made a real contribution here today. In many cases there may be a legitimate connection at the initial stage with the builder. But we must get rid of some of the abuses of the past, and we must proceed cautiously. We must differentiate between the perfectly honest builder, on the one hand, and the type of builder who tries to make a racket out of what the other, and I want to think the majority group of builders, finds a field of real service.

Mr. TRETTER. I agree with you.

The CHAIRMAN. I don't think anybody wants complete builder domination in cooperatives to the extent that the consumers would not have any say so in the matter at all and would be subjected to high pressures of various types.

Mr. O'HARA. That is right, Mr. Chairman.

The CHAIRMAN. Go ahead.

Mr. TRETTER. I would like to leave this point on the problem of sponsorship by saying I am as anxious to have as broad a program as possible here as we can. Get the honest builders and the nonprofit groups into this. I don't know too much about this, but if there does exist this so-called black list—I don't know that it does—which just bars indiscriminately any builders who have been in the 608 program—I haven't been in the 608 program. I haven't represented any builder along those lines at all, but I do feel perhaps a blunderbus approach of that kind may be comforting to officials but with these new protections we are putting into regulations perhaps a more discriminating approach will help produce some good cooperative housing for the consumer.

Now, on the special assistant, that has been discussed with Mr. Raider, but I would like to add my emphasis that if this special assistant isn't given some real authority and some power, and if there isn't developed a division, a cooperative housing division in the FHA to develop this program, it will result in no benefit whatsoever.

The CHAIRMAN. You mean he must be something more than a figurehead.

I would like to ask do you think that the basic attitude—and I will say the fundamental philosophy in FHA, with all of its other big broad programs, that it fits in, their thinking fits in with the cooperative.

Specifically, do you think the program of cooperative housing ought to be retained in FHA or someplace else?

Mr. TRETTER. I think, sir, it could be retained in the FHA if it were given its due emphasis and importance in the program. Originally, I feel the cooperative program was an orphan.

Mr. GAMBLE. Was what?

Mr. TRETTER. An orphan. It was strange.

Mr. GAMBLE. It still is, isn't it?

Mr. TRETTER. I feel, sir, reasonably with all of the talk about the problem of middle-income families and cooperatives, there is a small group here in New York and Washington, the people who are directly in contact with the people and problems.

Mr. GAMBLE. But it is confined to the cities largely, isn't it?

Mr. TRETTER. Well, that is the only experience I have here. I couldn't say what the attitude is in any other place, but we do have a small devoted group here, and I think if that were built up, if we had a separate division in the FHA, give them some stature, and some money, and some real staff, and I say it is important because cooperatives are so different from the type of program that the FHA has been handling until now.

We cannot get away from the fact that the cooperative corporation and the great mass of tenant stockholders look to the Federal Government for protection. They feel that when they see the FHA insurance that the Government has protected them, and in the past we know the philosophy and practice of the FHA in the rental programs was to act strictly as an insurer, to deal with a builder and to deal with a bank. They didn't have these grassroots problems of thousands and thousands of families. That was foreign to the FHA, and they have been waking up that this is a different kind of animal, and therefore I think it needs a little different treatment in the way of staff, even if it means a little bit more money than would normally be spent.

The CHAIRMAN. Well, I think I should say in all fairness to FHA, and everybody in Washington, that only in recent years has the Congress, even though we have carried it in the bill from time to time under certain headings, but only recently has the Congress taken a real down-to-earth active interest in it and I am hoping that from that we can all go forward.

Mr. TRETTER. I think it will help very much, sir.

Mr. BARRETT. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Barrett.

Mr. BARRETT. Do you think the FHA has any fear of builder domination?

Mr. TRETTER. Well, I think in the recent past they may have been paralyzed by these hearings, these investigations, if that is what you mean. but I find that in the New York office they are not afraid of that as a bogeyman. They have been trying to work out this program under the directives and the new relations.

I think you just cannot fear and get a job done.

Mr. BARRETT. May I ask you this: In order that we don't get back into 608 profits, would you be willing to state a reasonable fee for the builder on his investment? What percentage of the fee of his investment do you think he would be entitled to?

Mr. TRETTER. I think, sir, that should depend on the size of the project.

Mr. BARRETT. Let us take a minimum and maximum and if you care to embellish that.

Mr. TRETTER. If you have a small one, I think the fee should run 10 percent. On large projects it may go down to 5 percent or less.

We have huge developments in the city of New York and Chicago and other large cities, and I think all of these fees, whether it is builders, architects, legal, have to be scaled to the size of the project, and with the risk that the builder would take in some of these programs in laying out preliminary capital for a moderate-sized project I think at least 7 percent would be a desirable fee.

I am not really equipped to give you a final answer to that. Perhaps information should be obtained from contractors, people in the building congress here in the city of New York, and the professional societies, the American Institute of Architects, and others, can help in recommending proper scales or fees for these projects.

Mr. BARRETT. Now, may I ask you just two brief questions here: What is the percentage of turnover with the tenant stockholders?

Mr. TRETTER. In the cooperatives that I represented?

Mr. BARRETT. Yes.

Mr. TRETTER. The percentage of turnover is very, very slight. Simply from natural causes, and there are people who get a little bit disappointed in the problems of cooperatives, they are not cooperative minded, they may go out to buy their own home, some of them cannot get into this development—

Mr. BARRETT. Family expansion?

Mr. TRETTER. Yes, maybe family expansion, moving from the city, and personal reasons. Some people go into a cooperative, and don't like it. There are a few. But generally speaking there is a very small turnover. I think there is a great stability in this type of program. I am talking now not only of the 213's that I represent, but these other consumer cooperatives.

Mr. BARRETT. How is the tennant stockholder protected? Let me give you an example. Suppose he is a stockholder for 7 years, and he desires to move, and the Doe family is willing to buy his stock and pay him a greater sum than he had paid in, how would he be protected on that basis?

Mr. TRETTER. You mean how would he be protected to get that larger sum than he originally invested?

Well, sir, my own feeling is on a true cooperative project he should not be entitled to any profit on his original investment because I think the whole program, whether it is 213's or other types of cooperatives, they have been made possible by public features, by insurance of FHA, and by the legislation that you gentlemen enact, and other benefits that the city gives, and I feel that a consumer coming into a cooperative of that type should realize that it is nonprofit, that the purpose is to serve him at a moderate rental and give him good housing, but when he is ready to get out I don't think he should get more for his stock than he paid for it. He should not profit on the development of a public program.

The CHAIRMAN. You may proceed with your statement.

Mr. TRETTER. Thank you.

Now, on the question of mortgage loans, I don't think we can be too complacent about the mortgage loans in this particular market. Normally, 4 $\frac{1}{4}$  percent fully insured should be very attractive to mortgage lenders, but we know we are in a tight and uncertain money market, and, in addition, there are some institutions that have ex-

pressed the idea that they may not be interested again in 213's. There has been so much disillusionment, lawsuits, and discouragement, and some of the banks that have participated in the old plan may not. I think they are wrong, but the point I wish to make is I think the FHA should quickly take positive steps to enlist the interest of all mortgage lenders.

I think it would be helpful if they called a conference of savings banks and other mortgage lenders and explained the new type of program, the new regulations, the valuable features that will be built into these projects, and get the lenders interested or reinterested. Those who haven't been interested in the program at all should be sold on it.

I want to take the example of the public-housing program. In the early days it was difficult to sell these housing authority bonds even though the Government subsidy was fully pledged, and they were very good bonds, but the investment bankers were not familiar with them.

The PHA the Federal agency in those days—a different, name, perhaps, but the present PHA—they would go out and sell this program to the investment bankers. They would call these conferences and answer questions.

I think something like that will be necessary at this time with regard to the mortgage loans because we are in a rather difficult month.

Just one point when we are talking about mortgages. I find that some of them, perhaps very few, really abandon their responsibility as soon as they get an FHA insurance on a mortgage. I think it is too bad since these institutions are always in the forefront of the responsibilities of private enterprise and private initiative. I think that even though the FHA insures the mortgage that that bank ought to assume the same type of responsibility that it would if it were a conventional loan. In other words, they ought to take a much better look at these plans and specifications and review them to make the suggestion they would do and obtain the changes if the loan were not insured, and during construction the more time spent by the bank even on spot inspections to see that it is built, not necessarily minimum compliance, but the way they would like to see it built if they had to own this project.

I do not wish to give the impression that all banks have failed to assume their responsibilities, because by far and large they have done very well in participating in the problems of these cooperatives, but some of them have taken a point of view that the original builder sponsor is the customer, and they forget that the cooperative corporation and the great mass of tenant stockholders are the ultimate borrowers of this money, and that they will have to live with the cooperative corporation, and that would all come in part of this education that I think the FHA should undertake in going out to the grassroots and meeting with these banks.

Now, on Fannie Mae, that was discussed here with Mr. Raider. When we have a bad market, Fannie Mae could be very helpful. Of course, the present appropriation of \$50 million, even though it is revolving, cannot go very far in large centers when 10 percent of the appropriation is limited to any one State, that means \$5 million to New York State, until the commitment is completed, which may

be about 18 months, and then another \$5 million. That will help in a few cases, but will not be a general panacea.

The CHAIRMAN. I remember that section of the law very well in the discussions that we had in the conferences. I notice you say when the one project is completed on the revolving basis they can get another \$5 million. We have been told FHA holds you get \$5 million per State, period.

Mr. TRETTER. I wouldn't want to say because I have not studied it to that extent.

The CHAIRMAN. We will ask somebody else about that.

Mr. TRETTER. I will make two points. I think the appropriation ought to be increased, and there ought to be more flexibility. If one State has used its 10 percent, and other parts of the country are not using the money, I think there ought to be some flexibility to permit more of that to be used in the big centers.

Now, as to the regulations—

Mr. ADDONIZIO. May I interrupt. I want to be sure I understand you correctly.

You are not asking to increase the \$50 million, but you are asking to increase the 10 percent?

Mr. TRETTER. I would ask both. I would think \$50 million would not be sufficient for the country.

Mr. GAMBLE. For what purpose?

Mr. TRETTER. Picking up cooperative mortgages where the company is not able to place the loan through normal banking channels. I think that is the purpose of Fannie Mae.

Mr. GAMBLE. Let the Government take the rap, you mean?

Mr. TRETTER. These are good mortgages. If we have a temporary difficulty in financing, I don't think the Government would take the rap.

Mr. GAMBLE. I am not barring cooperatives. I have just always been afraid of Fannie Mae in case of a depression.

The CHAIRMAN. Let us clear up one thing more. That \$50 million is a revolving fund.

Mr. TRETTER. I understand it works this way: Let us assume they make a commitment of \$5 million to New York City. That commitment will be outstanding perhaps for 18 months while the project is under construction. When the project is completed, after a year or 18 months, and the mortgage then becomes definitive, and they can go back to another \$5 million project in New York State. That means one shot is tied up for 18 months.

Mr. ADDONIZIO. That means New York is limited to \$5 million.

Mr. TRETTER. Yes; during the 12- or 18-month construction period.

Well, if you are going to have a fairly extensive program, all builders want this opportunity, assuming they cannot get their mortgages through normal channels. But, in any event, I feel that these things FHA imposes will negate that, because with a 1-percent non-refundable application fee, as I get it, and one-half of 1 percent for the purchasing fee, and then they pay 96 percent of par for the mortgage—

The CHAIRMAN. That is Fannie Mae, you mean?

Mr. TRETTER. Yes; and then as I understand it the loan must be processed through a local bank in any event before Fannie Mae picks it up, so the local bank will charge one-half of 1 percent to 1½ per-



cent, and the net return to the cooperative corporation might be about 93 percent. Who pays the difference?

We have an assumed capital cost. That means the consumer must come in with more equity money to pick up those six points we lost on the mortgage. That is going to make it rather difficult, and I don't know whether the Fannie Mae loans will be effective at all unless these regulations are reconsidered.

Mr. ASHLEY. Do you think the fees are too high?

Mr. TRETTER. Well, I think the net result is not very good.

Mr. ASHLEY. Do you think the application fee is too high, \$3 on a thousand-dollar mortgage?

Mr. TRETTER. I wouldn't say. I wouldn't attempt to criticize the agency, not knowing what their problems and costs are in processing these applications.

Mr. ASHLEY. From the point of view of a builder. I am not asking from the point of view of an administrator.

Mr. TRETTER. I am talking from the point of view of a consumer, representing a cooperative corporation. If I had to go to Fannie Mae to borrow and my net result was 93 percent on the mortgage, I would be discouraged.

Mr. ASHLEY. I am trying to get a breakdown of that, you see. Does the application fee, for example, \$3 on a thousand, seem high to you?

Mr. TRETTER. We are talking now not of the application fee for filing an FHA project.

Mr. ASHLEY. If you add all of these up that is where you get your 93, isn't it?

Mr. TRETTER. No, sir. Let me repeat it.

This would be, as I understand it, if a cooperative corporation made an application to Fannie Mae for a loan. Fannie Mae would charge 1 percent of the amount of the mortgage as an application fee, not 3 percent, 1 percent. Then if they purchased the mortgage they would charge another one-half of 1 percent. Then they wouldn't pay par for the mortgage, they would pay 96. Then the cooperative corporation would have to pay a local bank anywhere up to 1½ percent. That means about seven points go off the mortgage.

Now, I don't want to belabor this, because I am not really an expert on FHA.

The CHAIRMAN. The truth is that it won't work anyway. Fannie Mae is not doing any business of that type, and won't until it gets some changes, in my judgment.

Mr. TRETTER. I see, sir.

The CHAIRMAN. It not only is having the same trouble with cooperatives, but with the mortgage market, generally.

Mr. TRETTER. I will now quickly conclude, if you wish me to, sir.

The CHAIRMAN. We are running short of time.

Mr. TRETTER. On the real-estate tax which vitally affects the consumer, when tax rates go up, people always complain, but the cooperative consumer, as that type of consumer cannot complain about the New York City tax rate because everybody is hit the same way.

The real source of complaint, sir, is that there has been such a tremendous gap between the figure of assessed valuation originally computed by FHA in these project starts, and the figure that is finally put upon it by the city officials. I have no idea how the FHA ap-

praisers arrive at their figures. I am not attempting to criticize them. The point I wish to make here, and quickly, is that I think that the Federal officials and city officials should talk to each other when they are developing this kind of a program. They are again taking experience in the public housing program, and when the public housing project comes into a community there is a close relationship between Federal officials and city officials.

Mr. BARRETT. You were counsel for the housing authority, you say?

Mr. TRETTER. Yes.

Mr. BARRETT. How do you feel about housing for the aged and single persons? I wonder if we can get you on record on that point, and also the handicapped?

Mr. TRETTER. I think, sir, that it is a very necessary program. At the time I was at the Housing Authority—I resigned in 1947—we hadn't gotten to that point of housing for the aged. We did begin to develop a program for paraplegics and for other handicapped individuals, but I think the whole approach and the studies that are being made today of public aid to the aged and handicapped are very desirable.

Mr. BARRETT. I don't want to carry on on this point too long. Let us strike an example.

Suppose New York were to get 25,000 a year, what percentage of those do you think should be given to the aged?

Mr. TRETTER. I simply am making a guess; I do not have enough information to give you an intelligent opinion on that.

The CHAIRMAN. You may proceed.

Mr. TRETTER. I hope I have made my point on the real-estate tax. I think that is very vital, having Federal officials sit down with the local assessors at least to discuss their points of view, and whatever develops there will not be that kind of gap which will create disappointment and disgruntlement on the part of the ultimate consumer when he finally moves in.

On mortgage insurance premiums, there, too, I don't know the actuarial basis for establishing mortgage insurance premiums in the entire FHA program, or the 213's in particular. I do feel, however, this committee might reexamine that question. These cooperatives, middle-income cooperatives, are usually large and, as I said before, they have a great deal of stability built into them. The consumer does make really quite an investment, and it may be that this type of a housing development should not have to pay the mortgage insurance premium of one-half of 1 percent. It may very well be that that is excessive, and that it should be reduced, which would help the consumer because it brings down the carrying charge, and if that is done, of course, I think it should apply to existing cooperatives as well as to new ones.

Now, one of the great complaints in a cooperative housing program in the past has been the timelag between the initial sale of stock and the occupancy of the project. In some cases, that has taken years, several years, and during that period you get a great deal of discontent, as you can very well understand. The consumer doesn't realize the technical problem, doesn't understand governmental administrative procedures. All he knows is that he bought this stock in 1950 and he is not moving in until 1953, and he looks for other

apartments, and he abuses and accuses everybody that had anything to do with the program.

Consequently, I think the FHA and all of us must do something to cut down that timelag between the initial sale of stock and the completion of the project.

Now, there are two suggestions that I have. We know, of course, that timelag will depend upon the period of construction, there may be strikes and things of that sort, but I am discounting those things. I am just thinking of the normal process, cutting down the period between the sale of stock, knowing you are going to participate in the project, and date of moving in. I feel that if there were adequate FHA procedures that there are some builders, at least in this town, who would with their own money at their own risk, and under FHA inspection, start the construction of a project with the idea that they would at a later date complete all their arrangements by selling out the stock and making their final mortgage arrangements. The builder, of course, would have to get a commitment from the FHA, which would be subject to certain conditions. The FHA would not assume any risk, because if the builder did not meet those conditions he would not obtain the final insurance.

I think that ought to be looked into.

The second point on cutting that timelag down is I feel strongly that there should be a program whereby a builder can start on a project as a rental project and then convert to a cooperative. Why should he have to sell that stock if he is willing to assume it on a certain basis? If he can later convert to a cooperative, I think that should be encouraged.

My last point, on architectural planning: Both sponsors and the FHA, it seems to me, will have to pay a little bit more attention to architectural design. I am afraid, particularly in large communities, that these FHA projects may begin to take on so-called institutional looks. The builder-sponsor naturally likes to repeat plans that have been previously approved. He knows they will be more quickly approved and has a better idea of what his costs are; but if we do too much of that, we will lose our ingenuity and the value of improvement in design, and we are certainly going to lose some beauty in these developments where we have a great opportunity. Also, in superior design, there particularly I feel that FHA should reexamine its minimum standards, particularly with regard to community facilities, things like meeting rooms, craftrooms, director's rooms, management offices. Many of those things have been overlooked in the past, and they do not make for good communities.

We like to think of these cooperatives on the basis of long-term homeownership, and these families are encouraged, they have to participate in meetings and social functions, and these projects should provide for those things.

Gentlemen, I feel this committee is doing a great thing by coming to the localities to listen to our problems and some of our complaints, but they are, at least in New York, as far as I know it, there is now a good small nucleus in the FHA that I think is devoted to cooperative housing. With your help, with a special assistant, and a good staff, and with your interpretation of your intentions so that they won't feel scared and bound by previous practices, I think they can have a very good cooperative program in this and other cities.

The CHAIRMAN. Thank you, Mr. Tretter.

I wish we had time, gentlemen, to go into questioning, but we are running a very close schedule, and we express our appreciation to you.

Your whole statement will go into the record, including the questions we have asked you. We appreciate your giving us your time to come down.

Mr. TRETTER. Thank you.

(The following data was submitted to the subcommittee:)

#### REPORT ON 213 HOUSING

(Prepared by Samuel Paul, AIA, chairman, committee on architecture and construction research, Long Island Home Builders Institute)

The new 213 program under the Housing Act of 1955 is basically an excellent one, inasmuch as it is designed for the middle-income group, for which there is a great demand. When Congress changed the law to have the mortgage commitment based on replacement cost instead of value, it not only made the program workable on paper, but it has started to stimulate a great deal of interest among builder groups.

In order to implement this program and encourage groups to participate in setting up housing projects, it becomes necessary to remove obstacles which make it difficult to complete a project from beginning to end.

There are four major items worthy of consideration in order to expedite the program:

1. FHA processing.
2. Selling the apartments after the commitment has been issued by FHA.
3. Undue demands by cooperators and lawsuits.
4. General attitude of builders, cooperators, and FHA employees.

Timing is a determining factor which will encourage or deter builder groups from setting up 213 projects. In the past the time taken from the site approval to start of construction was not only many months, but in some cases several years.

#### 1. FHA PROCESSING

There are so many changes that take place in the housing market that it is important to have a project start as quickly as possible from the time of its conception. As you know, the mortgage market may change; the labor market can vary; the general thinking with reference to layout and design can change. If a project is speedily put through the chances of any of these changes affecting the project will be diminished.

The local New York office has made a study in cooperation with the architects of cutting down processing time, and are putting into effect improvements in architectural processing. However, there is one operation in the processing which is time consuming, that is, the quantity takeoff system—a process which must be complied with as directed by the main office in Washington, D. C. I have recommended that a great deal of time can be saved by resorting to a square-foot takeoff plus extras, instead of this tedious takeoff system, which is now in effect.

I believe the quantity takeoff system provides more room for error. It requires many more exhibits than should be necessary for a commitment and is cumbersome in its operation.

It is rather striking that projects of a similar type, such as 2-story, 6-story, and multistory, will have a sameness in square-foot costs for each of the types, even after they have made a complete quantity takeoff. This factual information can be uncovered from the cases that have been processed. It is very significant, but confirms that the quantity-takeoff system is not necessary. The man-hours that are wasted on this system of processing could be devoted to more constructive work.

#### 2 SELLING THE APARTMENTS AFTER THE COMMITMENT HAS BEEN ISSUED

After a sponsoring group has received its commitment, it is mandatory before they can start construction that 100 percent of the apartments be sold. The time necessary to sell the apartments varies with each project. The number of

apartments, the housing market, the location, and the type of apartments are all factors which determine how fast a project will sell. It is unusual for a project to sell out in less than 3 months, and in many cases they run 6 months and over. During the selling period apartments have to be sold 3 to 4 times before it sticks. Families purchasing the apartments become discouraged not seeing construction started, and ask for their deposit to be returned. However, once construction is started selling is made easier and it is not difficult to hold the buyers.

Therefore, it is recommended that a change be made incorporating a method whereby the selling period is minimized or completely eliminated. Here are two suggestions which, I believe, can be worked out to accomplish these results:

1 In order to start construction without having to go through the selling period, the sponsoring group should be allowed to set up the project initially as a 207. After the initial project is constructed, people can see exactly what they are getting, location, etc. After the cooperators buy their apartments, the project is then converted to a 213. In the competitive market that exists today, people are hesitant in laying out money on the basis of a plan on paper which is shown to them.

2. Another possible solution would be to allow the builder group to start construction after 51 percent of the apartments are sold; instead of the present 100 percent.

The project should be broken down into sections whereby the first section should be small enough so that the quantity of sales is kept down to a minimum. Of course, it is not very economical to start a project with a few apartments. However, once construction is started, selling has been known to have a terrific impetus; thereby enabling the builder to proceed with the following sections of the project.

Before setting up the remaining sections the sponsoring builder can determine on the basis of requests for apartments from the first section, a more exact percentage of each type of apartment to supply on the succeeding sections. That is, he will know better what distribution of 1-, 2-, and 3-bedroom apartments to offer, and what particular features are desired.

The only time the problem of selling does not exist is when the sponsoring group consists of labor unions or some other organization, which has the co-operators already available for the purchase of the apartments. These situations are very much in the minority as evidenced by the cooperative projects which have been processed in the past.

I am sure there are other solutions to this problem, but there is no question that this problem must be resolved in order to encourage the sponsoring groups to proceed on 213 housing.

### 3. UNDUE DEMANDS BY COOPERATORS AND LAWSUITS

A very disconcerting factor with reference to the cooperative housing program are the demands which are made by the cooperators, usually right before the project is completed and thereby ready to "final out." If the demands are not complied with, usually lawsuits result.

The cooperator groups in the past employed their own architect, lawyer, and sometimes engineer—and this all done right before completion—to go through the plans, specifications, and the project itself, and make recommendations to the cooperators. This team of so-called experts make the rounds of all the cooperative projects, and because they know all the tricks and how to extract additional concessions which are not required by the plans, specifications, or other contractual documents, the builder, who is anxious at this particular time to close out the project, usually gives in to many of the demands; even though they may be unreasonable.

On new projects that are now being put through, the FHA requires that a supervising architect and lawyer be employed by the cooperators upon receipt of commitment. They represent the cooperator group throughout the project and arbitrate any questions which are disputed with reference to plans, specifications, construction, or legal matters.

This will undoubtedly diminish the nuisance of having every cooperator represent himself to the FHA or to the builder as wanting to be heard. However, further steps, I believe, should be taken toward minimizing or eliminating undue demands and lawsuits. This is work for the legal department.

## 4 GENERAL ATTITUDE OF BUILDERS, COOPERATORS, AND FHA EMPLOYEES

On multifamily housing ever since the housing investigations on title 608, the builders have become not only cautious but skeptical about participating in any housing projects where the FHA is involved. They feel that they have been unjustly called guilty until proven innocent with reference to their 608 housing activities—a procedure which is not congruous with our democratic way of life.

Yet the 213 law provides the mechanism whereby a builder can with a reasonable investment of money and time make a reasonable profit. He wants to enter into the 213 program; he needs encouragement because he is afraid. He is afraid that he will follow the law to the letter, and several years from now may be held up in some investigation charges; he feels that now because he has just come through a situation of that type. If the builder can be made to feel that they want him to participate in this program; that there is "cooperation from Washington"; that there is a sympathetic feeling toward the program in general by the people who are directing it, then the builder would undoubtedly participate in the program. When decisions are necessary, he would like to know that they aren't going to be shelved for weeks and weeks—that he will get an answer and that the answer will stick. He must have assurance that the program is just not a bit of legislation, but that there is a strong desire to implement this legislation.

The cooperators are also taking a very skeptical attitude toward this program because they feel, from what they have read, that the builders are making too much profit on these projects, and therefore feel they are not getting the best deal, even though the arithmetic shows that the 213 program with its low carrying charges is the best buy that the cooperator can get any place today.

A justifiable complaint by the cooperators, which creates hesitation on their part, is the fact that very often the carrying charges as indicated by the project analysis as prepared by the FHA do not work out. They usually find themselves paying more than they had anticipated when they purchased the apartment. Perhaps this is one of the biggest drawbacks today in the selling of apartments to cooperators. Often a tax rise, which is impossible for the FHA to foresee, will create an increase in carrying charges.

However, it is felt that the FHA should estimate the carrying charges on the slightly higher side than on the lower side, and it should be made known to the cooperators that carrying charges are estimated, and subject to change.

The attitude of the FHA employees working on 213 projects is one of extreme caution. They are trying to do a tremendous job, but yet are so intent upon doing the right thing and giving the right answers, that this creates a tendency to "pass the buck."

If the employees can feel that they are solidly backed up by the Washington office, there undoubtedly will be a better feeling of security in themselves. It is rather significant that only one project during the year 1954 had closed under section 213.

I believe that this whole attitude can be changed among the cooperators, the builders, and FHA employees, if the Special Assistant Commissioner will be chosen as quickly as possible, because in accordance with the law, he will be "fully sympathetic" to the 213 housing program. This person can create enthusiasm or he can allow the program to coast. He is an important person in implementing this program. I feel sure that the right man in this job will be instrumental in changing this attitude of such extreme caution that it becomes a difficult job to get things done.

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STATEMENT OF IRVING SHERMAN, PRESIDENT OF NORTHRIDGE, SECTION 3; CHAIRMAN, LEGISLATIVE COMMITTEE, THE CONFERENCE OF FHA 213 PRESIDENTS, NEW YORK CITY

Section 213 of the Housing Act was conceived in an atmosphere of haste and unreality. Details were not carefully thought out. Congress, realizing the pressing need of millions of GI's in the late forties, determined to appease this demand, skirting around safeguards. As a result, section 213, as originally enacted, instead of providing suitable housing for GI's in the middle-income brackets, became a quagmire of higher rental charges and other frustrations for most of the GI's.

As brought out by the Capehart committee, corruption and inefficiency attended the origination and the construction of the 213's, as well as other Government housing projects. Land was acquired by unscrupulous individuals, overvalued by a process of legal skulduggery, then loaded on cooperator-stockholders

in onerous 99-year leases. The greedy builders then sought for further profits by shortchanging on good construction, bribing inspectors, or getting around inspectors so that stockholders, already sinned against, were further precluded from receiving suitable housing.

The FHA, charged with supervision of the 213's as an insurer up to 90 percent of the mortgage, failed to control the builders in any way. The project analysis, the heart of the 213 housing idea, became a travesty on charges in the hands of a negligible and indifferent FHA. For example, charges for handymen to be employed by the 213 corporations were given as \$32. It never had been less than \$50 as could have been verified by calling up local 32B. Similarly for charges in connection with electricity, gas, and heat. Perhaps the most fatal miscalculation was that dealing with New York City realty taxes. Because of an unduly low figure estimated, which might have easily been corrected by referring to the tax commissioner, rent increases running from 10 percent for Hilltop to 22 percent for Northridge, had to be imposed. Some of these increases took effect almost from the day cooperator-stockholders took possession of their properties.

The product of all this—legislation hastily conceived and as hastily enacted, faulty and often derelict supervision by the insurer, the FHA—outright connivery and skulduggery on the part of sponsor-builders, as witnessed by the multiplicity of lawsuits against them, defective and often hazardous construction of many of the 213's reflected in excessive depreciation and accelerated maintenance charges—a skyrocketing New York City realty assessment and tax rate—all this has concocted a brew that can no longer be called middle-income housing. The whole affair is, indeed, a travesty on democratic enterprise and a betrayal of hardworking Americans, not to mention meritorious war veterans.

It is true that, to some extent, S. 2126 ameliorates some of the conditions outlined. Permission, retroactively, to consolidate multiple corporate setups into one unit will effect savings; less remunerative but helpful in the long run is the now express command of Congress to the FHA "authorized and directed" to help the 213's. But much more than this will have to be done if the original intent of Congress with the 213's is to be effectuated.

Following are steps which are recommended by the undersigned as spokesman for the conference of FHA 213 Presidents in his capacity as chairman of this body's legislative committee:

1. Maintenance charges creep up fast in buildings and apartments not soundly constructed, from the beginning. For example, nearly every 213 has received several requests from mortgagees to make necessary repairs, paint fire escapes, paint corridors, etc. But most 213's don't have money for these jobs since operating charges eat up most if not all of current income and few started with any surplus due to sponsor-builder connivery. Impinging, however, are damages due to recent hurricanes. Take Northridge; damages to corporate property were in excess of \$20,000, while out of 1,120 units, over 600 were damaged and the corporations are obligated to paint or make repairs in most of these apartments in addition to waterproofing brick, etc. Similar situations confront most of the other 213's. When it is considered that most 213's have operated in the red from the start and have had to institute rent increases to avoid foreclosure, where is the money coming from to take care of this additional load? A way out is for Congress to amend the act so that instead of 40-year mortgages, 213's are given 60-year mortgages, without prejudice, so that they may have breathing areas to take care of their emergencies.

2. H. R. 4443, which seeks to reduce the premium for the 213's, from one-half of 1 percent to one-fourth of 1 percent, is now in committee. It is demonstrable that much of the current charges of the 213's are external to their true nature and, actually, they are organized on a lower capitalization rate than other real-estate ventures. Thus, cooperators in Northridge painted the corridors of 14 out of 17 buildings and cooperators also laid fences around gardening area. Similar cooperative work has been forthcoming in most of the other co-ops. In this view, a lower premium rate should be granted 213's, even if it might be shown that the reserves, set aside for the 213's, based on the charge of one-half of 1 percent are not ample, which has yet to be proved.

3. Tax assessments and tax rates such as seen in New York City, if allowed to continue in trend, will make a mockery of any Federal attempt at middle-income housing. Congress, in return for grants to municipalities for slum clearance, and so forth, should stipulate that such grants are to be conditioned either by a corresponding tax abatement or tax grants from the various municipalities, which legislation is to be made retroactive, so as to benefit existing 213's.

4. Due solely to the negligence if not corruption of FHA officials, most 213's have been forced into extensive lawsuits with builders. Even if the 213's win such lawsuits, attorney's fees and other costs may well be such that individual corporations will still fall short of the moneys and construction factors originally intended for them. In this view, because it will make for simple justice, it is hereby recommended that Congress enact legislation to reimburse the 213's engaged in lawsuits, if only to the extent of legal fees and costs.

The CHAIRMAN. We will take a 2- or 3-minute break.

(There was a short recess taken.)

The CHAIRMAN. The committee will please come to order.

The next witness is Mr. William A. Schulz, director, Multifamily Housing Office, FHA, New York City, and he is going to talk about FHA insurance programs, 220, and urban renewal, and I am sure will answer some questions for us.

We are glad to have you. You may proceed. If you have additional data and statistics which you would like to put into the record, you may do so, in addition to additional data in connection with your statement.

Mr. SCHULZ. Thank you.

The CHAIRMAN. You can furnish it now or put some of it in later. We want to have your record complete both as to the operations of your office and statistics about housing.

If you don't mind, as you proceed with your statement I will ask the committee to keep a keen ear on it and ask you questions as you go along.

Do you object to that, or would you rather complete your statement and then have questions?

Mr. SCHULZ. I would rather complete it, Congressman Rains, if you don't mind.

The CHAIRMAN. All right, you may proceed.

Mr. SCHULZ. Because I may cover many of the points that might come up.

Mr. GAMBLE. That very often happens.

The CHAIRMAN. The members can make notes of things they want to ask and you can proceed uninterrupted with your statement.

Mr. SCHULZ. Thank you.

#### STATEMENT OF WILLIAM ADAM SCHULZ, DIRECTOR, NEW YORK FIELD OFFICE, FEDERAL HOUSING ADMINISTRATION

Mr. SCHULZ. Mr. Chairman and members of the committee, my name is William Adam Schulz; I am and have been since May 1, 1953, the director of the New York insuring office of the Federal Housing Administration.

Prior to this period, I was engaged in the real-estate business for 23 years, during which time I was president of the Long Island Real Estate Board, the third largest in the United States. I served as chairman of its management division and lecturing division on commercial leasing. In addition, I was a member of the New York State Appraisal Society, and the National Association of Real Estate Boards.

I am glad to have this opportunity to appear before your committee and assist in any way possible concerning the operations of the Federal Housing Administration in this area. If agreeable to the com-



mittee, I will present a brief statement and then be available for questions.

With me today are Mr. Walter Fried, regional counsel of the Housing and Home Finance Agency, and Mr. Charles Horan, regional director of the Urban Renewal Administration. They will be glad to assist in answering any questions concerning their respective operations which have a bearing on FHA mortgage insurance for housing in urban renewal areas.

It is my understanding that the committee is seeking to ascertain whether the time for processing mortgage-insurance applications has resulted in undue delay on the part of FHA and whether there is, as some witnesses stated, evidence of uncertainty, timidity, and a possible effort to frustrate the housing program.

I want to address my remarks to these matters.

Delay, if any, has not been the result of any dilatory action on the part of FHA. It must be recognized that the urban renewal and redevelopment program is a difficult and necessarily complex one to administer. It involves separate considerations by the municipal authorities, the Urban Renewal Administration, the FHA, the builder sponsors, and lending institutions. All of these various interests must be coordinated with the ultimate result of developing a proposed project in such form as will permit financial aid to be made available by the Federal Government and will also permit mortgages on the project to be insured by the FHA.

Obviously, in such a complex arrangement time must necessarily pass before a project reaches the commitment stage. Basically, any delay in reaching that stage stems from one fundamental problem. Builder sponsors have had a motivation to obtain maximum terms favorable to them, such as excessive land valuations, minimum mortgage amortization payments, excessively long-term mortgages, such as 50 years, minimum cash investments, builders' profits above what has been determined to be fair and equitable, and quick recovery of investment. FHA, as an insurance agency, necessarily has the obligation to protect its insurance liability by the exercise of prudent judgment in evaluating the risk. It has therefore attempted to apply sound underwriting concepts.

To illustrate the difficulties of these problems, I wish to submit a complete summary of all actions and decisions in one of these cases, and with your approval I would like to have it included in the record.

The CHAIRMAN. It may be included.

Mr. ADDONIZIO. This is the project that has been recently approved for Mr. Axelrod?

Mr. SCHULZ. That is right.

The CHAIRMAN. It is one we heard testimony from Mr. Axelrod about on 220?

Mr. SCHULZ. That is right.

The CHAIRMAN. Let it appear at the end of his statement, Mr. Reporter.

Mr. SCHULZ. I will give it to him at the end of the statement.

We first examined the North Harlem housing project, also referred to as Delano Village, in 1950, under the provisions of section 207. Under this section of the law the mortgage could not exceed 80 percent of the FHA estimate of value. Because of the nature of the area being redeveloped the estimate of value necessarily had to reflect a high

degree of risk and the valuation determined upon by FHA was substantially below the cost estimated by the sponsor. Thus the mortgage which we could reasonably insure was less than 80 percent of the estimated cost. The result was that the sponsor would have had to put in more equity or front money. This he was not willing to do.

Our records show that the FHA determination of value was made promptly and without delay. It was rejected. The sponsor next tried the section 213 program because the mortgage amount was then by law based on replacement cost rather than value, which resulted in a higher mortgage amount. Again I want to point out that processing was completed without delay. Unfortunately, as Mr. Axelrod has testified, the project again fell through, this time because he was unable to arrange mortgage financing.

At that time lending institutions did not look with favor on section 213 projects. The sponsor again filed in November 1954, for a rental housing project hoping to obtain an acceptable mortgage amount through the application of the provisions of section 220 of the Housing Act. Our analysis indicated that the plans submitted for the section 213, which was a cooperative project, would not result in a feasible rental housing project under section 220. After a detailed study of the plans, recommendations were developed calculated to improve the income-producing capacity of the project and thus making the project feasible.

To make these architectural changes the sponsor took about 2 months, but, as Mr. Moses stated Wednesday, they made for more conservative financing without adversely affecting other characteristics of the project. With these changes the project became feasible even though value was still somewhat below replacement cost. A loan equal to 90 percent of replacement cost did not become possible in this case, however, until the enactments of the housing amendments of 1955. Under this legislation replacement cost was substituted for value as a basis for determining the amount of the insurable mortgage.

Actually the obstacle to arriving at a sufficient mortgage amount, now removed by the housing amendments of 1955, was only one of the problems. Other differences with the sponsor during this period included land valuation, mortgage amortization, term of mortgage, and provisions in the charter to permit an accelerated withdrawal of equity. Agreement on these matters were recently resolved in favor of the FHA position, thus permitting FHA to issue commitments.

We insisted on a sound amortization plan providing for payments which decline as the mortgage matures, thus providing for the possibility of reduction in rents in later years. The sponsor, on the other hand, desired a plan which provided for smaller payments in the early years thus permitting him to take out equity investment faster. The land valuation problem was particularly difficult. The sponsor purchased the land for \$2.04 per square foot and estimated that final tenant relocation and land clearance expenses would increase his cost to \$6.50 per square foot. FHA in estimating the replacement cost of the property must include land at its market value, rather than the sponsor's estimated cost. By FHA applying all accepted appraisal standards, it arrived at \$4.25 per square foot. I am happy to report that the sponsor finally accepted the commitments on this basis.

Agreement having been reached the commitments were issued a few days later. Prior to settlement of these matters FHA could not have issued the commitments regardless of pressure from any source.

I now believe the mortgage security is good, and I do not think we have been unreasonable in our effort to protect the taxpayers' money.

Another case which has not yet reached commitment involves a claimed land cost by the sponsors of \$11.15 per square foot against an original contract price of \$3.54.

I might mention that in all contracts for the purchase of land with the city the sponsor builder is required to relocate tenants and clear the land. This procedure has proven to be one of the most troublesome aspects of the program, and has created for FHA the greatest difficulties in determining land value as well as creating other problems affecting both FHA and URA. It would seem to me that the city of New York should perform these functions just as all other cities in the country, namely, relocate tenants and sell the land cleared.

The New York method puts an undue burden on the sponsors and affords opportunities for delay, milking of the project, mishandling of the relocation problem, and tends to limit the number of bidders for the land. If the city of New York had undertaken this obligation, as other cities do, the program in New York would have been much further advanced.

May I refer this committee to the recommendations with respect to this subject contained in the report of the mayor's committee for better housing. That report recommends adoption of the principles I have mentioned.

Mr. McMurray has testified that we in the New York insuring office have slavishly applied unrealistic regulations. He has given 10 purported examples. I feel that in order to be able to continue to successfully administer the program in New York City it is necessary for me to point out that these charges are not based on fact and are inappropriately directed against sound business practices.

My staff has prepared for the information of the committee a detailed analysis of Mr. McMurray's 10 examples which explain the fallacies in each instance. Since these generally relate to technical detail I would prefer to have them inserted in the record without reading.

The CHAIRMAN. That may be done at the conclusion of your testimony, Mr. Schulz.

Mr. SCHULZ. Thank you.

In all fairness to Mr. McMurray, he testified that his statements were not based on first-hand experience but, rather, on what he had heard from people outside the FHA. All Mr. McMurray need do to get this first-hand information which he lacks is visit my office. All our procedures and other data are open to him or anyone else.

I wish to express my appreciation for the opportunity to appear before the committee and give this explanation of our operations.

I am now available for questions.

The CHAIRMAN. Mr. Schulz, we appreciate your coming, and I must congratulate you on the pointed brevity of your statement. A great many people would have utilized more time not saying as many things as you did and to the point. We appreciate that first for the record and, second, since we are interested in conserving time.

(The material referred to by Mr. Schulz is as follows:)

DELANO VILLAGE—FORMERLY NORTH HARLEM GARDENS—SECTION 207

November 13, 1950: Applications for mortgage insurance under section 207 of the National Housing Act—submitted three sections

November 15, 1950: Applications being held in suspense due to sponsor's failure to submit required exhibits for preliminary processing.

November 21, 1950: Applications held in suspense by orders of Director. Applicant failed to deliver exhibits until April 26, 1951.

April 26, 1951: Applications released to underwriting section for site work only. Applicant failed to furnish additional exhibits for processing beyond this stage

July 9, 1951: Mortgagee request transfer from rental housing (sec. 207) to cooperative housing (sec. 213)

July 15, 1951: 213 approved—applicant told to furnish exhibits.

August 3, 1951: Directive to CMP Regulation 6 and Regulation X:

(e) After September 30, 1951, a prime contractor shall not continue construction that has been commenced or commence construction of a multi-unit residential structure without receiving authorization pursuant to an application submitted on form CMC 4C to the appropriate field office of the Housing and Home Finance Agency.

Due to the above directive, sponsor withheld any further action.

January 15, 1952: Sponsor requested preliminary processing continue due to change in proposed structure from steel to reinforced concrete. Sponsor told to prepare necessary exhibits.

February 6, 1952 Case released to Underwriting Section for preliminary processing

February 15, 1952: Sponsor was notified that our review of exhibits indicate that they were incomplete therefore case returned to suspense. Sponsor notified to submit proper exhibits.

September 26, 1952 Applications formally rejected due to sponsor's failure to submit complete processing exhibits

DELANO VILLAGE—FORMERLY NORTH HARLEM GARDENS—SECTION 213

February 18, 1953: Applications for mortgage insurance under section 213 of the National Housing Act submitted. Held in suspense due to incomplete exhibits. Sponsor so notified

May 13, 1953: Exhibits received and case released to Underwriting Section for processing.

May 17, 1953: Case sent to mortgage credit for review and determination for use of indemnity agreement, which was completed on June 1, 1953.

June 1, 1953: Project valuation processing was started for 2401 Form (project information)

June 15, 1953: Valuation processing and project information completed and cases forwarded to the Architectural Section, Land Planning Unit.

August 11, 1953: Land Planning processing completed. Cost estimation

September 2, 1953: Architectural processing completed. Cost estimation.

December 15, 1953: Valuation processing completed. Project analysis.

December 17, 1953: Mortgage credit processing completed and forwarded to chief underwriter for review.

December 24, 1953: Projects submitted to Washington headquarters for review, pursuant to outstanding instructions

January 5, 1954: Approval from Washington office indicating no objections to the issuance of statements of eligibility

January 7, 1954: Sponsor rejected statements of eligibility due to lack of mortgage money (three sections). Sponsor then proposed reconsideration on basis of 8 sections instead of 3 as processed, due to inability to arrange proper financing. No further action on part of sponsors, anticipating new legislation.

DELANO VILLAGE—FORMERLY NORTH HARLEM GARDENS—SECTION 220

October 20, 1954: Section 220 Rules and Regulations issued

November 9, 1954 Based on new legislation applications (3 sections) for mortgage insurance under section 220 were submitted with request to reprocess old case under this act.

- November 15, 1954: Revised site plan for 8 sections was submitted.
- November 17, 1954: Released to Underwriting for preliminary review. Site plan changed from original processing.
- November 23, 1954: Meeting in New York FHA office attended by Administrator Cole, representatives of OA and FHA and representatives of New York local public agencies. Announced that special FHA headquarters task force would assist local FHA office in preliminary processing and resolving valuation problems.
- November 24, 1954: Preliminary review completed architecturally, as to changes and design resulting from above.
- November 30, 1954: Conference called with sponsors relative to feasibility of proposed unit composition on old 213 unit layout as it was not feasible under the economic soundness requirement act of 1954.
- November 30, 1954: Mortgage credit requested financial data from sponsors for mortgage credit processing.
- November 30, 1954: Decision concurred in with sponsors to place cases in suspense pending completion of survey by Washington headquarters representatives relative to establishment of economic soundness as required by the Housing Act of 1954.
- December 14, 1954: Washington survey and recommendations completed as to formula to follow to determine economic soundness with request for us to work up project analysis.
- January 4, 1955: Feasibility determinations delivered to Mr. A. Jarchow for review.
- January 20, 1955: Awaiting Washington advice.
- February 3, 1955: Review by Appraisal and Mortgage Risk Division, FHA, completed and memo to Assistant Commissioner, Operations, recommending meeting to discuss findings with New York office.
- February 24, 1955: Policy meeting at Washington relative to New York City redevelopment projects. Re: Commercial space, land value, builder's fees, on-site parking, etc.
- February 28, 1955: New York office FHA recommends declaration of New York City as high-cost area for purpose of permitting increased mortgage limitations under section 220.
- March 4, 1955: Instructions received relative to policy questions raised February 24, 1955.
- March 7, 1955: Site reinspected by committee from this office to arrive at acceptable basic project requirements which was later discussed with Washington. Approval given as to basic contact.
- March 28, 1955: Conference with sponsors, city officials, and HHFA representatives outlining FHA requirements such as unit distribution and other requisites to produce a feasible economic project from an underwriting standpoint. Sponsors agreed to submit revised exhibits.
- April 5, 1955: Sponsors submitted preliminary revised exhibits to conform with determinations concluded under date of March 28, 1955.
- April 7, 1955: Architectural and land planning analysis of these exhibits completed.
- April 8, 1955: Valuation section analysis of feasibility completed.
- April 11, 1955: Conference with sponsors who were informed that a feasible relationship existed between value and cost. They were requested to submit revised typical floor plans to conform with FHA corrections indicated during architectural analysis.
- April 18, 1955: Amended typical floor plan incorporating the above objectives was submitted by the sponsor.
- April 22, 1955: Architectural analysis of typical floor plan was completed subject to follow-up submission of cellar and entrance plans and new revised site plan review.
- May 2, 1955: New revised site plan received and analyzed by Land Planning Section and general acceptability of the planning of the project was established.
- May 10, 1955: Mortgage credit processing exhibits still not received since December 1, 1954.
- May 10, 1955: Preliminary review by the Mortgage Credit Section completed, subject to above.
- May 12, 1955: Conference with sponsors and members of HHFA officials from New York City Slum Clearance Committee, notifying all concerned that FHA is prepared to proceed with committee processing. Sponsor to submit commitment drawings and HHFA to clear changes in original redevelopment plan.

May 23, 1955: Conference at request of Mr. McCormick, of Washington office of HHFA. We were informed that coverage and density were exceeded by FHA suggested planning and that formal approval of HHFA of present changes had to be forthcoming before project could advance any further.

May 24, 1955: Previous Participation Form 2570 filed with New York office. Cleared on June 9, 1955.

May 24, 1955: Letter to sponsors informing them of the above HHFA requirements.

May 26, 1955: Mr. McCormick objected to FHA recommendations—suggested alternatives, such as reduced density and elimination of efficiency units.

May 31, 1955: Data on feasibility as the result of the proposed reduction of density forwarded to Washington headquarters for review.

June 15, 1955: Recommendations found not feasible due to their effect on value.

June 24, 1955: Revisit by Mr. McCormick to this office at which time objections were again raised as to the high density under suggested FHA planning.

July 5, 1955: Report forwarded to Washington headquarters concerning our position as to the differences of opinion regarding density requirements.

July 19, 1955: Amended applications and plans were received from sponsor for commitment processing.

July 20, 1955: HHFA approved changes in original redevelopment plan subject to approval of New York City Board of Estimate and Financing Commission.

July 21, 1955: Cases released to Underwriting Section for commencement of commitment processing.

August 25, 1955: Architectural and land planning commitment processing completed on basis of cost feature of 1955 Housing Act. Projects referred to Valuation Section.

September 1, 1955: Conference at Washington re: Land valuation formula, amortization and policy of leasehold and commercial space and treatment of piling costs

September 9, 1955: Valuation processing completed and cases referred to the Mortgage Credit Section.

September 12, 1955: Mortgage credit commitment processing completed and cases referred to the Acting Chief Underwriter for review.

September 13, 1955: Precommitment conference held with sponsors and representatives from Washington headquarters. General agreement and acceptance reached on points raised on September 1, 1955, subject to resolving the method of the payment of amortization.

September 16, 1955: Method of the payment of amortization resolved and necessary corrections to underwriting forms completed.

September 22, 1955: Dockets on section No. 1 forwarded to the Director's office for preparation and issuance of commitment

September 23, 1955: Authorization received from Washington to issue commitment.

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Criticisms of Commissioner McMurray relating to the operations of the New York insuring office and those criticisms which involve the determinations of the valuation section have been noted in the several numbered paragraphs of his written brief

Paragraph 1 states: "If a project includes within its plans the provision of outdoor parking areas as well as garages, no credit is given in the valuation determination for the former. However, if no garages are included, only parking areas, credit is given for that."

If this statement relates to projects intended for financing under section 220 the alleged information requires clarification. In the past, our instructions precluded the inclusion in project income estimates for additional income anticipated from open-air automobile-parking spaces. This did not, however, prevent the mortgagor from charging a nominal amount for the rental of such spaces, provided he kept within the authorized total project rental structure. Past experience has demonstrated very conclusively that a substantial garage vacancy could be anticipated when such enclosed spaces are placed in competition with open parking compounds. This is evidenced by a 22.4 percent garage vacancy according to our last occupancy survey affecting FHA insured projects.

In connection with section 220 projects we have recognized income from open-air parking compounds based upon the compilation of conclusive evidence that sustained income can be anticipated.

Paragraph 2: Application form 2013, and minimum property requirements, section 1202-C I and II indicates the minimum square foot areas for all eligible rooms comprising a dwelling unit.

Practically in every submission for processing, the room sizes far exceed the minimum.

Paragraph 3 states the following: "Until recently no credit was given for balconies or for extra bathrooms in larger apartments. This has been relaxed somewhat but the full value of this is still not recognized in the cost."

Whenever such additional facilities have been included in a project, appropriate increases in rentals have been recognized and established to compensate for these extra facilities.

#### BALCONIES

1. Construction cost included in the cost estimation.

2. Ineligibility for room count: MPR defines a room as an enclosure designed for living, sleeping, eating, or cooking, excluding bathrooms, toilet compartment, closets, halls, storage, and similar spaces.

A balcony lacks all the elements of a finished room and can only be allowed for cost of actual construction for the specified finish.

(a) Its use is seasonal (no heat).

(b) Lack of privacy from outside view.

(c) Necessity for passing other habitable rooms to bathrooms and toilets in less than two-bedroom apartments.

#### EXTRA BATHROOMS

Construction cost of extra bathroom is always included in cost estimation.

Application form 2013 allows no room count for bathrooms. Definition of a habitable room excludes bathrooms.

Paragraph 4 pertains to the approach for a more realistic valuation of land in the case of title I housing projects.

Our comments will appropriately cover the statement made in paragraph 10, pertaining to the same subject.

The FHA approach to the establishment of the estimated market price of a site in fee simple is contained in several underwriting instruction publications. These instructions, in substance, provided for the determination of the available market price of land by use of the comparative method of market-price estimation. This method requires the assemblage of comparative data as found in the market in accordance with established and accepted principles of appraisal practices. This method obviously cannot fully apply to urban redevelopment projects due to the unique and restrictive circumstances surrounding each site. In consequence, one of the most important approaches to the pricing of land for such developments is the summation method. FHA has insisted upon making known to it actual and firm cost figures for demolition and relocation of site tenants if such information is available. However, if such information is unknown by the sponsor we have accepted a combination of known and projected estimated costs for these items of expense. It seems that the most practical approach to this problem would be for the city authorities to acquire possession of designated slum areas through its use of eminent domain, assume responsibility for tenant relocation, clear the site of existing structures and then offer such sites at public auction for purchase by interested builder-sponsors. This will eliminate second guessing and relying upon estimates which at best are unsupportable. FHA should not be put into a position of pricing urban redevelopment land at a price which may result in a profit to a builder particularly since the original acquisition cost of such land had already been subsidized by the Federal Government.

Paragraph 5: There is no difficulty between the FHA and the HHFA in connection with the title I redevelopment program. There was no requirement that title I redevelopment be an FHA-insured mortgage. Only when application was made to the FHA do the requirements of the agency come into play. Procedure between the two agencies have been established anticipating the sponsor's desire to secure the benefits of the FHA-insurance program, even though the sponsor may not later want to use it. Accordingly, FHA requirements are immediately considered in the redevelopment of any new area.

Paragraph 6: This statement is not correct. The fees and overhead are predicated on a graduated scale and depends on the estimated cost of the project. The scale of fees reflects a fair evaluation of professional services

and builders' profits and overhead, as determined after consultation with various builders and architects.

It is our contention that the FHA allowances for overhead, profit, and architectural fees are adequate and realistic. Extensive surveys have been conducted by this office with a view to establishing estimates for these items which are supportable in fact and which are equitable to the builder-sponsor. The percentages of builders' profit vary from 5 to 10 percent. The overhead varies from 1 to 3 percent. Architectural fees vary from 1 to 3 percent.

Our experience does not support the contention that builders have objected to these allowances. As a matter of fact we have adjusted the item of overhead downward because of specific complaints by builders that FHA overhead allowances could not be substantiated because they were too high, that an average of 1½ percent was more proper. See correspondence on old fees and new fees attached.

Paragraph 7: This statement cannot be supported in fact. The New York insuring office maintains a cost-analysis section headed by a cost engineer and supervised by the chief architect. Through the work of this section this office keeps abreast of current costs of construction for all types of multifamily housing. Our Washington office is kept aware of rising costs so that, if necessary, the per unit or per room mortgage limitation may be raised to meet new conditions and prevent a stifling of the housing program. An example of this was the Commission's action declaring New York City a high-cost area and permitting the recognition of an additional \$1,000 per room on urban renewal projects. A similar action was taken in raising the unit and room limitations to compensate for higher costs incident to the construction of elevator structures in contrast to the walk-up type. It should be noted here that the Commissioner established these limitations at the maximum permitted by law for both rental housing and cooperative housing.

The New York office maintains a valuation section headed by a chief appraiser, whose responsibility it is to assemble, collate, and maintain data on current market rentals secured in multifamily housing throughout our jurisdiction. When an estimate of rental income for a proposed project is arrived at, it is based on the best information available and is an accurate reflection of current market conditions. Of course this office cannot and will not establish rent levels which are unrealistic and unsupported in fact simply to produce a desired result. Such a course of action would not only be contrary to the FHA Commissioner's interests but would be a prejudgment of disaster for any housing project.

Paragraph 8: The statement on page 17, paragraph 8, by Mr. McMurray to the effect that "The certificate of incorporation, I am informed, is written in Washington, forwarded to the New York regional office and then filed with the secretary of state in Albany," is incorrect.

A model form of certificate of incorporation for the particular title of the National Housing Act was drafted by the Washington office. A specimen form is given to the sponsor when the sponsor is ready to incorporate. His proposed certificate is then submitted to the New York regional office for examination and approval. If the certificate meets with the approval of that office, the sponsor is advised to file the same with the secretary of state. In the alleged case referred to under title I the sponsors have not submitted a proposed form of certificate of incorporation to the New York office for examination and approval.

A sponsor has never been required to close a loan and then file a certificate of incorporation nor has a loan ever closed in the New York office without a complete certified copy of the certificate of incorporation.

Therefore, the statement that the sponsor has no voice in the terms of the certificate of incorporation and that he dares not to object to certain provisions lest the job be held up indefinitely are mere conjecture and without basis.

Paragraph 9 indicates that FHA insists that every structure in a project have the same average dwelling unit count and that this is too restrictive and places unnecessary obstacles in the path of flexible design and planning.

In reply thereto it becomes incumbent upon us to require unit composition consistent with the requirements of the proposed occupants and with due consideration to the long-term contingent liabilities resulting from mortgage maturities up to a period of 40 years.

In the case of the North Harlem project, or Delano Village, as it is also known, sponsors requested us to accept a unit distribution planned primarily for cooperative ownership. This distribution varied considerably from the requirements and desires expressed by the renting public. It is not FHA policy to require



similar average dwelling unit count since flexible thinking is injected in the original planning to provide a suitable unit distribution for the particular location and neighborhood where such project is proposed.

Each structure is not required to have same average. However, economy of planning and building usually dictates identical plans. Example: Two-story garden apartments—buildings are almost never identical—different shape and composition. Multistory buildings, economy is important.

The CHAIRMAN. We do have some questions for you. You answered a great many of them, and I assume the detailed analysis of those 10 points which Mr. McMurray referred to, and you referred to, will go into the record at the conclusion of your testimony in explanation of those matters.

Mr. SCHULZ. I have submitted them.

The CHAIRMAN. All right.

Now, I was interested in one statement there. When you come to a great city like the city of New York, you only get a bird's-eye view of it in a couple of days. I was interested in your statement that New York is the only city in the United States participating in title I, the slum-clearance and urban-renewal program, that did not itself clear the land under the program, and then sell the land; is it true that here in New York the burden of clearing the land is the burden of the sponsors: is that correct?

Mr. SCHULZ. That is right.

The CHAIRMAN. And also of relocating families?

Mr. SCHULZ. That is also the sponsor's obligation.

The CHAIRMAN. And is that the only city in the United States which has this arrangement?

Mr. SCHULZ. I believe it is.

The CHAIRMAN. Well, I know in my home State of Alabama that the cities are charged with the responsibility, and duty of clearing the land under that program. Now, what additional cost does that put on the title I program, the fact that the city of New York does not clear it, if any, in the final analysis?

Mr. SCHULZ. In the grant there is included a charge above the basic figure of the sales price which includes an allowance for relocation and demolition. A portion of that total figure is absorbed in the part of the grant of the Federal Government.

The CHAIRMAN. The point I am getting at is that the same rules and regulations for the final determination, regardless of who clears the property, since it is a Federal program, is the same in all cities. I assume that finally the Federal Government puts out no more money for a program of that type to get the job done in New York City than they would in any other city in the country, would they?

Mr. SCHULZ. In all fairness, Congressman Rains, I believe that that would be a proper question directed to Mr. Fried of the Urban Renewal Administration, who will give an answer to that question.

The CHAIRMAN. Can you answer that question?

Mr. FRIED. Yes, sir; I think I can enlighten the committee, if I may.

In my opinion, I think it imposes a much greater function burden on the Federal Government for the following reasons: Firstly, it would appear to me that certainly in the city of New York, and more particularly in the island of Manhattan, cleared land has a much greater value than land which has tenements on it and tenants in them. You gentlemen must remember in New York State we

have rent control, and one of the greatest deterrents to any building, conceding the fact that tenants must be protected, is the fact that you cannot acquire and assemble particularly large parcels of land. In those few situations in New York where you have situations where there is a square block without tenants in it, there has actually been a mad scramble to purchase the land.

The best example of that was when John Wanamaker moved out. There you had almost two square blocks without tenants, and there was a mad scramble for the land, so it is my personal opinion if the city of New York would sell the land cleared it would bring a much higher price.

Mr. Moses stated to you gentlemen that he was quite disturbed and surprised when this program first went into effect that the banks, the insurance companies, and, you might say, some of the responsible builders, did not come into it. I think one of the reasons for it is that they could not buy land on which they could build. They first had to bother with the troublesome detail of getting the tenants out.

The CHAIRMAN. Do the sponsors under the program here have the right and authority of eminent domain or condemnation?

Mr. FRIED. That is exercised by the city of New York, and the same day in which the taking is filed the land is sold, so that in some instances the city hasn't owned the land for more than 20 minutes.

Mr. GAMBLE. Of course, that puts an uncertainty on the final cost.

Mr. FRIED. A very great uncertainty. You will find in many instances the tenants will move voluntarily. In other instances the private builders have figured as high as \$1,000 per tenant in order to clear the land.

Mr. BARRETT. Let me ask you a question there: Is that per tenant or per room?

Mr. FRIED. Per tenant.

Let us go to the next point now. In the contract between the city of New York and the sponsor, the city transfers to the sponsor its obligation to relocate the tenants in decent, safe, and sanitary housing accommodations, and demolish the buildings. We can presume, I am sure, that the city of New York would not indulge in milking practices which your own investigations have showed take place in title I project areas where sponsors relocate tenants.

Now, you gentlemen went into that very thoroughly in the Manhattan project area. I remember some of the little devices that were used, and that, incidentally, explains one of the reasons for the so-called delay. Believe me, these sponsors are not too worried in the first period of their occupancy of the property in going ahead with the project, because you will recall in Manhattan Town they got \$14 million worth of real estate for \$4 million, of which they only paid \$1 million down. If you collect rents on \$14 million worth of real estate you are not going to lose money.

The CHAIRMAN. Does the sponsor collect the rents in this interim period?

Mr. FRIED. He does.

The CHAIRMAN. Can you tell the committee whether the failure of New York to operate as other cities do in clearing this land is a hindrance in the program?

Mr. FRIED. In my opinion it certainly is, and I may add this: We in the Urban Renewal Administration have recognized that fact, and we are taking steps, I hope, to correct the situation.

The CHAIRMAN. How long have you been counsel for the regional office?

Mr. FRIED. Since February of this year.

The CHAIRMAN. I am going to ask this question both of you and Mr. Schulz: Do you think that as a responsible official in FHA and one who knows his job, I am sure, that there should be more decentralization into the regional office, decisionwise?

Mr. FRIED. I must give a prejudiced answer. As a regional employee, I am all in favor of that.

The CHAIRMAN. We are trying to be helpful in that we would like to see whatever is best for FHA in its operations for the Government and for the people, of course.

Mr. FRIED. May I say this, sir: Prior to my employment with this agency I was counsel for the New York State rent commissioner. Before that I was with the Office of Housing Expediter.

Mr. GAMBLE. The Housing Administration?

Mr. FRIED. Housing Expediter in the Administration of Rent Control.

In each of those Government agencies you have a division between a central office and a local office. In my opinion, the local office should be permitted to act almost autonomously with a control and a review in the central office, so that activity throughout the country can be coordinated, so that there can be some spot check that actual policies of Congress and of the National Administrator can be administered at the local level.

The CHAIRMAN. Do you have enough good employees in your part of the agency?

Mr. FRIED. No, sir.

The CHAIRMAN. Is there any extra workload on your desk and on the desk of the other people because of lack of sufficient employees?

Mr. FRIED. May I just point this out: I was asked last week to prepare my budget for the year 1956-57. As an allotment I was given, roughly, \$40,000 for legal salaries and secretaries. That represents three ten-thousandths of 1 percent of the volume of commitments of the United States Government in this region, which is, roughly, \$150 million.

Mr. GAMBLE. How many employees do you have?

Mr. FRIED. We have four lawyers, including myself, on the staff, and I might add that the floods in New England have put an extra burden upon us.

The CHAIRMAN. What about your agency, is it adequately staffed to take care of the heavy demand which must be great here in the city of New York?

Mr. SCHULZ. We are not, Congressman Rains. As a matter of fact, at the present time we are understaffed by 18 people, and I can visualize with the tremendous activity that is to take place—

The CHAIRMAN. Apparently just ahead?

Mr. SCHULZ. That is true—that our force will have to be increased even beyond the shortage which we now have.

The CHAIRMAN. Do you have any difficulty in getting well-equipped people for the places with the salary ranges?

Mr. SCHULZ. I think that is an excellent question. It is my humble opinion that all of the people in my office are underpaid greatly.

Mr. GAMBLE. Well, you have had a cutback lately, too, on employees.

Mr. SCHULZ. We have, Mr. Congressman. We have had two cutbacks since I have been in the office.

The CHAIRMAN. Of course, that all gets back to the appropriations that the Congress makes. We are trying to find out for the Congress what the needs are, because I think the Congress wants the job done, and ought to be willing to give what it takes to get it done.

One other question, and then I am going to pass along to the other members of the committee—

Mr. SCHULZ. Congressman Rains, may I interrupt at this point and answer the question about decisions? There has been quite a to-do about that particular point.

The CHAIRMAN. Yes.

Mr. SCHULZ. In the New York office I would like to say for the record that I make all of the decisions except those that have anything to do with the interpretations of the law and any that might be of a policy nature that has to do with the scope of activities. All of the area decisions affecting our own locality and bailiwick in New York are made by the New York office.

The CHAIRMAN. In other words, you don't feel cramped, then, in making the decisions affecting your immediate area?

Mr. SCHULZ. Not necessarily, no. I think most of the decisions that are made, and the procrastination which has been referred to which takes place in some of the points, particularly as Congressman O'Hara points out, the question of the identity of interest delay, I think that that is a very important point, and for that reason sufficient time should be taken to determine what is the proper method of operation in connection with that.

The CHAIRMAN. Of course, that is a nationwide policy matter, too.

Mr. SCHULZ. It is.

The CHAIRMAN. And must be established not only for one area, but all areas which would be involved.

Mr. SCHULZ. Yes.

The CHAIRMAN. Do you think the 220 project, now that the first one is cleared, and the 213 cooperatives—do you think the optimism expressed by the two witnesses this morning, and by other witnesses, on the hope that those projects were about to get underway in New York, do you believe most of the kinks are out of the program to where they will operate now?

Mr. SCHULZ. Congressman Rains, I would like to say emphatically, yes. I can visualize in the New York area a tremendous program in 220 and 213, and possibly in 207. All of the points that we have been concerned with in this hearing I believe have reached the point of being cleared up. I am happy to say that the letter CH-110 that I believe Mr. Raider referred to in connection with that identity which he felt might have been one of the reasons for the holding back of the 213 program, and I am happy to say that that bottleneck is about to be cleared. The letter has been canceled, and we are at this point awaiting a new directive which I am certain will set forth the proper decision to move the program forward, combined with other things; as

far as the 220 program is concerned, I think we have taken out most of the kinks, as a result of the first project.

That is always the toughest one. That is the guinea pig.

The CHAIRMAN. That is the pilot plant, so to speak?

Mr. SCHULZ. Yes, and many things have been taken into consideration in the first one to be cleared. The balance of them should move very smoothly, provided—and I say this most sincerely—that we get the cooperation of the city of New York and Mr. Moses' unit to do their job and make it move smoothly. I feel that if they clear their obligations there will be no hitch in the program anywhere along the line.

The CHAIRMAN. In other words, cooperation all along the line ought to get the job done; is that correct?

Mr. SCHULZ. Definitely.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. I only have a few questions, Mr. Chairman.

On page 3 of your statement—I believe it is in two instances—you say that the decisions were made promptly and without delays. Could you tell us exactly what you consider promptly and without delays, the exact time?

Mr. SCHULZ. The time element is a feature hard to describe, as to what may enter into time. In our office all of the slum-clearance projects have the green light and priority over everything else. In the instance where it was submitted under the 213 act, is that the one you are referring to—

Mr. ADDONIZIO. I am referring to both 207 and 213. You said in both instances it had been done completely, quickly, and without delay.

Mr. SCHULZ. That is right. On the 207, the first one, I think our chronology will show that from the time it came into the office, the time that Mr. Axelrod was given the figures, that was within a very short period.

Mr. ADDONIZIO. How long, exactly?

Mr. SCHULZ. I will say that the normal processing time in any particular case or application would take working time, if everything is in order, from 4 months to 6 months.

Mr. ADDONIZIO. Well, I would appreciate it for the record if you would submit to us the exact chronological time that it took.

Mr. SCHULZ. We have the chronology on that, Mr. Congressman. It has been submitted.

Mr. ADDONIZIO. Fine.

Now, in reference to a question that Mr. Rains asked you, on the other hand you said that you did not have sufficient personnel, and that they were underpaid, so I cannot understand how in one instance you can say that you act quickly, and without delay, and, on the other hand, you say you don't have the personnel to do it with.

Mr. SCHULZ. Well, if we are speaking in connection with 220 programs, it is true in connection with giving the green light, other programs would have to suffer delay if that is a proper time to use at that point.

Mr. ADDONIZIO. I have another point I would like to make, and that is, of course, I see from your statement that you have quite an extensive background in real-estate work. Do you feel as a man who

has this extensive background in real-estate business—and I am sure that you will agree with me that over the last few days we have been hearing a lot about the rules and regulations that come out of Washington—do you honestly and sincerely feel, as a real-estate man, not as an official working for the Government, that these rules and regulations are excessive, and that they hamper the program?

Mr. SCHULZ. Congressman Addonizio, I have to answer that very frankly. I don't think they hamper the program.

Mr. ADDONIZIO. Thank you.

Mr. GAMBLE. Now that you have cleared this first 220, on other applications which you have which you are studying, are the results and requirements in 220 that you made available to these other people endeavoring to get their application through so that they can know and see where their application is at variance with what you have ruled?

Mr. SCHULZ. Yes, sir; they are open. They can get that information any time they want to. At the present time we will be prepared to issue the commitment as a result of our decisions on the other case, within a period of 3 weeks on Manhattan Town.

Now, it may not be acceptable, but we will be prepared to issue it and submit it to the sponsors.

Mr. GAMBLE. So that the sponsor has available everything that he needs to know to get his application accepted, and, as you say, if he doesn't like your conditions and terms, that is up to him, it isn't up to you?

Mr. SCHULZ. As far as FHA is concerned, Congressman Gamble, he knows all of the requirements necessary to get a thing through.

The CHAIRMAN. Well, do they come in and try to get that information, or do some of them simply hold back in order to get all they possibly can?

Mr. SCHULZ. The question is rather embarrassing at this point.

Mr. GAMBLE. All right, I think the answer is "Yes."

Mr. ADDONIZIO. The answer is rather obvious.

The CHAIRMAN. Any other questions?

Mr. GAMBLE. No.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Mr. Chairman, I am not in a position to make any suggestion to the administrative department of our Government, and in view of the short time we have remaining I have no questions, and I want to express appreciation to this gentleman for the brevity and the ground that he covered in his statement.

Mr. SCHULZ. Thank you, Congressman.

The CHAIRMAN. Mr. Barrett?

Mr. Widnall?

Mr. WIDNALL. Mr. Schulz, the other day Mr. Moses testified about a letter that he had written to Mr. Cole on September 7 referring to delay in processing. Do you think from your own knowledge that that had anything to do with the FHA issuing the commitments for this North Harlem project?

Mr. SCHULZ. Congressman Widnall, I will say this: It could not have had anything to do with the issuing of the commitments, on the North Harlem case, because at that point no approvals had been received yet from the city of New York as to the approval of the amended redevelopment plan. The URA was trying to get that

information for 5 months; at the time that that letter was received it had not yet been forthcoming. That is a matter of record, and I am sure that Mr. Fried, the General Counsel, can give you specific dates of inquiry dating back as far as May.

Mr. WIDNALL. When was that letter received, do you know?

Mr. SCHULZ. I believe it was received somewhere around September 21. The final approval came through from the city of New York.

Mr. WIDNALL. How long after that was the commitment issued?

Mr. SCHULZ. September 29.

Mr. WIDNALL. So 8 days after the city of New York had complied with the request the commitment was issued?

Mr. SCHULZ. Then we were in a position to move forward and issue the commitment. They held it up for 5 months, as far as that approval was concerned.

Mr. WIDNALL. One of the witnesses testified the other day that they might as well close up the FHA office in New York because it had no authority, and it was just a question of trotting to Washington on every single decision. What do you have to say about that?

Mr. SCHULZ. Again, I will answer it, as I did to Congressman Rains, that that is so far from the truth in this respect: I personally make all of the decisions that affect the New York office except any of those that might involve an interpretation of a legal problem, either that or anything that may involve a policy that has a national scope bearing attached to it. Those, of course, we should send to Washington, and rightfully so.

Mr. WIDNALL. Mr. Schulz, one further question: I am very much interested in your statement that to the best of your knowledge, New York City is the only city in the United States that does not demolish the premises and relocate the families?

Is there any reason why New York should be unique in that respect?

Mr. SCHULZ. I don't know of any reason. Perhaps Mr. Fried, from URA, may know the answer to that.

Mr. FRIED. I can tell you why they ask for it. They ask for it because they claim if the city does it they will be liable to political pressures.

Mr. GAMBLE. Who made that regulation for the city?

Mr. FRIED. It is not a regulation, sir. As I understand it, and you must realize this was done back, I guess, in 1950, the arrangements were made between Mr. Moses and whoever was administering the program at that time—a special request was made by Mr. Moses for this dispensation, and it was agreed he could transfer the city's obligations to the sponsor, and that appeared in every one of the contracts with the city.

The CHAIRMAN. Any other questions, Mr. Widnall?

Mr. WIDNALL. Two other questions.

Do you readily know the number of cooperative units in New York at the present time?

Mr. SCHULZ. Yes, I have the figures on that. I believe it ranges around 20,000 units that we have under control in the New York office.

Mr. WIDNALL. That is since the institution of the program?

Mr. SCHULZ. That is right.

Mr. WIDNALL. And the second question have to do with the funds for employment of personnel within your office. Isn't it true that

the funds that are used for that payment come out of the earned funds of your FHA premiums?

Mr. SCHULZ. Definitely. The New York office produces its \$4 million worth of insurance premiums per year.

Mr. WIDNALL. There should be available to you far more than there is today.

Mr. SCHULZ. We would like to have it. It should be.

Mr. WIDNALL. That is all. Thank you.

Mr. GAMBLE. But you cannot use those funds without the approval of the Appropriations Committee and the Congress?

Mr. SCHULZ. Not one nickel of it, Congressman.

The CHAIRMAN. One question and then I will pass to Mr. Ashley.

That 20,000 cooperative units you speak about, though, and this is really our concern, were all built before 1954, weren't they?

Mr. SCHULZ. Yes, they were.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. Going back to Mr. Widnall's question regarding the effect of that letter upon the action taken in connection with the 220 commitment: Are you saying to us, sir, that that letter didn't have anything to do with the speed with which the commitment was issued?

Mr. SCHULZ. Not insofar as FHA is concerned.

Mr. ASHLEY. Had you not received that letter, would FHA have issued the commitment on the date that it actually was issued?

Mr. FRIED. May I answer that, Mr. Ashley? I think I can explain that, sir.

I think you have to realize, first, that only 10 months expired from the date the commitment was applied for. Once FHA establishes rules and principles and a plot plan was agreed on between the city of New York, the sponsor, and FHA, it was discovered that this site plan would produce certain changes from the original redevelopment plan which had been approved for this project.

Now, although the number of persons per net residential acreage coverage remained the same, the result of their studies produced a greater volume, so whereas in the original plan there was control of X number of dwelling units, they now came up with Y so we had to change the redevelopment plan. We arrived at that position in May of 1955, and it took us from May of 1955 until September 21, 1955, to get the city of New York to do it.

Now, the reason the city of New York has to do it is this: The redevelopment plan must be approved by the Planning Commission of the City of New York. It must meet their standards and requirements. It must be approved by the Board of Estimates of the City of New York. It must be approved by the corporation counsel of the city of New York.

Now, we started out working with Mr. Moses' slum-clearance committee to accomplish that fact back in May. Now, unfortunately when Mr. Moses was here—and, believe me, I have the greatest respect for Mr. Moses' accomplishments, his ability, his integrity, Mr. Moses has too many activities to know what happens in each one of these projects, and, unfortunately, Mr. Moses' slum committee also has too many activities. I don't think the slum-clearance committee has more than 1 full-time employee to handle \$75 million worth of business for the Federal Government, so that it is very difficult for us to get them



to get off their road program, their Triborough program, their tunnel, their bridge.

Now, I have a documentation here, if the committee wishes to see it, to show that we continued to write letters to the committee on slum clearance monthly. The board of estimates meets during the summer months. They missed the meeting of the board of estimates in July, and they had to wait until August 25.

We finally got the documentation into our office in September. It was incomplete. They didn't give us the certification which are necessary before we, under the law, can ask Mr. Cole to certify to FHA that there may be 220 insurance.

Now, that is important, because that is what I believe you gentlemen substituted for the economic soundness doctrine. After all, these gentlemen are insuring in a slum area, and unless we can assure them that this project will be built in accordance with the rules and regulations of the city and State, this mortgage will fail.

Now, finally, we called the city of New York on September 21 and said for God's sake give somebody the authority to come over here and personally make the changes necessary. That was done on September 21.

Mr. ASHLEY. I appreciate the fact that top priority was given this particular 220 commitment, and my question is simply going to the reason why that top priority was assigned to the commitment.

Mr. FRIED. Well, we are trying to make urban renewal work here. If you notice here the last change was made September 21. There it is initialed and dated, and it wasn't until this was made that we could recommend the certification of the amended redevelopment plan. That went down to Washington, and within 8 days we acted, Washington acted, Mr. Cole certified to Mr. Mason, Mr. Mason instructed Mr. Schulz that commitment which had been ready for months may be issued.

If I may, sir, I have this chronology.

The CHAIRMAN. Yes; we will be glad to have it put in the record at the conclusion of the testimony.

Mr. ASHLEY. Mr. Schulz, how many 207 commitments do you have in your office which have been issued to builders but were never taken up by the builders?

Mr. SCHULZ. I have that information for you.

Mr. ASHLEY. I wonder if you would supply that for the record.

Mr. SCHULZ. I will be very pleased to.

I might say at this point that I believe that there were 22 jobs finaled off within the past year and a half, and at the present time we have 14 220 projects under construction, and, in addition to that, within the past 30 days we have had reactivated approximately 80 207 programs, and I believe in the neighborhood of 192 others.

Mr. ASHLEY. I am interested, too, in why this situation exists, Mr. Schulz.

The CHAIRMAN. You can supply that information along with the numbers.

Mr. ASHLEY. One final question. We had a witness yesterday who gave us a clear picture of the lack of uniformity which exists in the procedures for relocating displaced persons, and I wondered if you would also supply for the record your suggestion for a uniform pro-

cedure for relocating displaced persons here in New York under title I projects?

Mr. SCHULZ. Congressman, I doubt very much if I could do that. It doesn't come within FHA scope. I think I might request Mr. Fried's office, who is attached to that end of the program, who probably might be in a position to make recommendations for you. They have charge of the relocation, are mixed up in it some way.

Mr. ASHLEY. All right.

The CHAIRMAN. Mr. Addonizio has another question.

Mr. ADDONIZIO. Mr. Schulz, I believe you were present before when Mr. Tretter was testifying, one of the attorneys on these section 213 cooperatives. He made the statement that he thought it would be an excellent idea if there was a closer cooperation between the FHA and these money-lending institutions.

I was wondering whether you would care to comment upon that?

Mr. SCHULZ. Other than this, that in all of my contacts with lending institutions I have always spoken about the security which in my opinion is behind the 213 mortgage. Of course, there have only been a few of the banks that have entered the field of mortgage financing for 213 cooperatives. Of course, some of them lately have dropped out of the field because of the various lawsuits in which the builders have become involved, and in which tenant groups have become involved, and for that reason automatically the lender becomes involved, but I honestly think that there is a field or there is a market for 213 mortgages, and it will prevail for some time in the future. Of course, there is good security behind it, and most men in the banking field recognize that.

Mr. ADDONIZIO. Do you feel that the banking institutions are aware of this?

Mr. SCHULZ. Definitely. I am sure of that.

Mr. ADDONIZIO. You don't think FHA should do anything further about bringing it to their attention a little bit more vividly?

Mr. SCHULZ. Other than through conversations and continual contact with the financial institutions which we do constantly.

Mr. GAMBLE. Do you want to comment on the statement the other two gentlemen made that there ought to be a special assistant to cooperatives?

Mr. SCHULZ. I think it was a very wonderful move to set up a 213 assistant to the Commissioner in Washington.

The CHAIRMAN. Mr. Schulz, the committee wants to thank you for coming and giving us a good statement. I would like to make this brief comment:

As I gather it here, and from witnesses who have testified, it looks like now that we may expect some housing in New York under 213's and under 220's, and possibly under 207's. The committee would feel like its visit to New York had been well spent if we have had a little to do with getting the people a little more anxious about getting the program underway. We are going to be watching the program when we make our report back to the Banking and Currency Committee early in the next Congress, and we hope we can write a very nice report of what is going on in the city of New York and in the other great metropolitan areas of the country under these aids that the Congress intended for private enterprise to help in clearing slums.

It is a big task, I know, and it has a lot of knots in it but to hard working people like you and those in FHA everywhere, I express our gratitude and only hope all of us can do a better job.

Thank you very much for appearing.

(The material referred to by Mr. Schulz and Mr. Fried is as follows:)

Section 207, rental housing

Period covered	Number of applications	Units	Mortgage amount
1953.....	94	12,503	\$110,706,600
Jan 1 to Apr 13, 1954.....	73	11,613	100,002,410
Apr. 14 to Aug 2, 1954.....	14	1,542	13,629,000
Aug 3, 1954, to Aug 2, 1955.....	7	519	4,695,400
Aug 3 to Oct. 1, 1955.....	1	200	2,120,000
Applications in process.....	83	13,094	176,517,415
Projects under construction.....	20	3,240	28,508,700
Cases committed Aug 1, 1954, to Oct 1, 1955.....	15	1,881	17,121,100

Section 213, cooperative housing

Period covered	Number of applications	Units	Mortgage amount
1953.....	88	13,200	\$120,820,000
Jan 1 to Apr 13, 1954.....	19	2,259	23,045,200
Apr 14 to Aug 2, 1954.....	9	1,452	12,343,800
Aug 3, 1954, to Aug 2, 1955.....	4	288	3,267,600
Aug 3 to Oct 1, 1955.....	None		
Applications in process.....	90	12,921	144,747,340
Projects under construction.....	4	996	9,484,800
Cases committed Aug. 1, 1954, to Oct 1, 1955.....	2	307	3,019,200

Section 220, slum clearance

Period covered.....			1954
Number of applications.....			6
Units.....			1,623
Mortgage amount.....			\$16,532,500
Status of the above cases:			
Application stage: 012-32005—Pratt Houses			
32006—Godfrey Nurse Houses			
Preliminary stage: 32004—Manhattan Town			
Delano Village			
Committed September 26, 1955		Units	Amount
32001—Sec. 1.....		254	\$2,165,700
32002—Sec. 2.....		254	2,123,700
32003—Sec. 3.....		254	2,149,100
Total.....		762	6,438,500

FEDERAL HOUSING ADMINISTRATION,  
OFFICE OF THE DIRECTOR,  
New York, N Y, October 31, 1955.

Re section 220 projects.

MR. ROBERT R. POSTON,  
Chief Counsel, Rains Subcommittee on Housing,  
House Banking and Currency Committee,  
House Office Building, Washington 25, D C.

DEAR MR. POSTON: In answer to your questions we are pleased to submit herewith the following information:

1. A copy of the rules and regulations under section 220, NHA, as presently in force and contrasted with the rules and regulations under the same section as they existed about 6 months ago.

Answer. Copies of 1954 original rules and regulations plus amended 1955 rules and regulations are hereby included.

2. Are land costs "locked up" in the corporation or can such costs be taken out of the proceeds?

Answer. It is not possible to make a direct answer to this question. Under FHA procedure when processing on a fee basis, it is required that at least 30 percent of the funds over and above the mortgage proceeds necessary for completion of a project and contributed by stockholders must be evidenced by non-redeemable par value common stock and the balance of such funds may be evidenced by nonnegotiable 20-year notes, redeemable stock, additional nonredeemable par stock, or declared donated surplus. The funds in question over and above mortgage proceeds are considered as including the value of land, the estimated cost of offsite facilities and the builder's fee regardless of the fact that the latter may have been waived. Under this arrangement the permanent investment "locked up" in the mortgagor corporation is evidenced by the required 30 percent nonredeemable stock which may be considered to represent land value, offsite improvements, or builder's services.

3. What rate of profit has been allowed to the builder?

Answer. The rate of profit allowed to multihousing project builders ranges from 5 to 9 percent depending upon the size of the project. In the North Harlem case the rate of profit allowed to the builder was 7 percent for each of the three sections committed.

4. What are the new regulations regarding "over the above money" and whether any part of such money can be in the form of stock, notes, etc.? If so, has this always been the case?

Answer. The present regulations regarding "over and above money" are as described above under item 2. These regulations differ from previous regulations principally in that nonnegotiable notes are now permitted in lieu of redeemable stock previously provided for.

5. What is the FHA estimate of replacement cost for this project?

Answer. In North Harlem project Nos. 012-32001, 32002, and 32003, replacement cost for section I (32001) was \$2,436,017,<sup>1</sup> section II (32002) was \$2,391,081,<sup>1</sup> section III (32003) was \$2,416,408.<sup>2</sup>

6. What is the amount of each of the commitments?

Answer. North Harlem commitment amount: Section I (32001), \$2,165,700; section II (32002), \$2,123,700; section III (32003), \$2,149,100.

7. What is the term of the loans?

Answer. Term of loans is 39 years 5 months following commencement of amortization.

8. What is the method of amortization?

Answer. Method of amortization is "accelerating curtail declining annuity" which provides for an initial curtail rate of 1.7 percent. Each succeeding payment of principal shall be equal to 100.16 percent of the principal payment due on the first day of the next preceding month.

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#### STATEMENT OF WALTER FRIED, REGIONAL COUNSEL, HHFA

A question before the committee concerns itself with the reasons for the interval of time before the issuance of the first section 220 commitment for mortgage insurance in an urban-renewal project.

The first question to be answered is, What actually is this interval of time? The sponsor of the North Harlem project, Mr. Axelrod, first filed with FHA under section 207, in November 1950. He has stated to this committee that this application was withdrawn by him on his own initiative. In July 1951 he withdrew this application and filed with FHA under section 213. Mr. Axelrod has said he also withdrew this application voluntarily. So we now come down to Mr. Axelrod's application under section 220, which was filed during November of 1954. Certainly the interval of time under discussion can start no earlier than November 1954. Obviously no commitment can be issued before an application has been received. The commitment was issued on September 29, 1955. This is the other terminal point of the interval under discussion. Therefore, we find that the interval between the first application and the first commitment is 10 months.

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<sup>1</sup> This amount excludes the value of land which was retained as a leased fee under leasehold arrangements as requested by the sponsor.

In order to determine whether or not a 10-month interval is unreasonable we first must determine (1) what had to be done, (2) why it had to be done, (3) who was to do it, (4) what they did about it.

Obviously the first requirement was for FHA to adopt regulations, procedures, and standards which would be both in conformity with the law and acceptable to builders. It appeared in a conference held in the New York FHA office in March 1955 that FHA and sponsors were about to arrive at a project for which a commitment could be issued. This conference was attended by representatives of FHA, Urban Renewal Administration, New York City Slum Clearance Committee, and sponsors. However, although it was noted that the site plan submitted by the sponsors in conformity with the local redevelopment plan would produce only a 72-percent mortgage. In order to arrive at a 90-percent mortgage, which is the maximum provided by law and which was demanded by sponsors, it would be necessary to revise the site plan to provide for a greater number of dwelling units. The sponsors advised the meeting that it would take 6 weeks for their architects to revise the plan. It then became necessary under both Federal and State laws to amend the redevelopment plan. At that point it became necessary for FHA to await further action by local authorities and by the Urban Renewal Administration before a commitment could be issued by FHA. During this time, however, FHA continued to process the applications so that they would be ready whenever the local authorities and the Urban Renewal Administration would be ready with their part of the work.

Action was now required by (1) the Committee on Slum Clearance of the City of New York, (2) the Planning Commission of the City of New York, (3) the Board of Estimate of the City of New York, (4) corporation counsel, City of New York, (5) the Urban Renewal Commissioner, and (6) HHFA Administrator Cole.

This is the sequence of events that followed:

On May 31, 1955, following the resubmission of completed revisions of site plans by the sponsors, the Urban Renewal Administration wrote the City of New York requesting the submission of the amended redevelopment plan. On July 22, almost 2 months later, the city advised the Urban Renewal Administration that the board of estimate had approved the revised redevelopment plan and that the city intended to submit the amended contract with the sponsors to the board of estimate on August 25. On August 23, the Urban Renewal Administration advised the committee on slum clearance that several legal certifications by local authorities with respect to the redevelopment plan, were lacking and would be needed before Urban Renewal Administration could lawfully approve the revised redevelopment plan.

On September 12, Urban Renewal Administration advised the slum clearance committee that it had not yet received the documents requested in the letter of August 23. It was not until September 19, almost a month after the request for the omitted certifications, that final documentation was received from the city of New York. Certain discrepancies and omissions still existed in the plan, and it was suggested to the committee that, to save time, someone be authorized to make the changes personally at the regional office of the Urban Renewal Administration. On September 21, these changes in the redevelopment plan were completed and it was then that the Urban Renewal Administration, Administrator Cole, and the FHA office in New York could give their final approvals.

All of them acted between September 21 and 29, during which time the regional office of the Urban Renewal Administration recommended approval of the redevelopment plan and transmitted it to Washington where it was reviewed by the Urban Renewal Commissioner and recommended for approval to Administrator Cole. Mr. Cole then made the necessary statutory certification to the FHA Commissioner and on September 29, the FHA in New York issued three commitments for three separate projects within the North Harlem project.

(The following letter was submitted to the subcommittee:)

MANHATTANTOWN, INC., *October 12, 1955.*

HON. ALBERT M. RAINS,

*Chairman, Subcommittee on Housing,  
United States House of Representatives,  
Committee on Banking and Currency,  
Washington, D. C*

DEAR MR. CHAIRMAN: On October 7, at a hearing conducted by your subcommittee in the city of New York, Mr. Walter Fried, regional counsel to the Federal

Housing and Home Finance Administrator, made a most unjustified attack on Manhattantown, Inc.

From the newspaper reports of the hearing, it is our understanding that Mr. Fried took the position that:

(a) Manhattantown, Inc., has delayed in tenant relocation in order to collect high rents from slum dwellers;

(b) Manhattantown, Inc., has been guilty of misconduct in paying less than full value for the land and buildings in the redevelopment site; and

(c) an FHA mortgage commitment will be offered to Manhattantown, Inc., but "it may not be acceptable" it.

In answer to Mr. Fried's first charge, I wish to state that Manhattantown, Inc., has relocated, offsite, more than 2,000 families. It has awarded approximately \$600,000 in demolition contracts to date. In addition, it has had available for new construction for almost 1 year approximately 300,000 square feet of land cleared of tenants and slum buildings. Buildings would now be rising on this site except for the delay in obtaining FHA financing. A detailed sworn statement on the causes of delay in relocation and demolition was submitted by Manhattantown, Inc., to the United States Senate Committee on Banking and Currency during that committee's hearings last year. This statement appears at page 3156 of the printed record of that committee's hearings.

While some critics of Manhattantown, Inc., have claimed that it has deliberately delayed relocation, it is interesting to note that at the same hearing before the Senate committee in which these attacks were made, representatives of the Women's City Club of New York attacked Manhattantown, Inc., for relocating tenants too rapidly in the face of a claimed housing shortage for low-income families. Mr. Fried's position with an agency exercising visitatorial supervision over all title I projects makes his attack on Manhattantown, Inc., more inexcusable than if it had come from a person unfamiliar with the facts and the problems faced by a title I redeveloper trying to clear its site with a minimum of hardship to the persons living there. Just one of the facts which Mr. Fried is or should be aware of, is the fact that Manhattantown, Inc., has relocated more families from its area than have been relocated by many cities under a title I program.

As to the second charge, Mr. Fried is well aware that the purchase price paid for the redevelopment site was set forth in a contract to bid between the city of New York and Manhattantown, Inc. Before its execution, this contract was specifically approved by the Federal Housing and Home Finance Administrator as consistent with, and in furtherance of, the policy of title I. If Mr. Fried disagrees with the actions of his superior, I would suggest that he direct his criticism to his superior and not attack a party to a contract seeking to fulfill its contractual obligations.

As to the third charge, we are, of course, extremely interested in Mr. Fried's prediction of a determination to be made by this corporation's board of directors. It would seem to be extremely unfair on Mr. Fried's part to attempt to give the impression to your subcommittee and to the public that the directors of this corporation will reject an FHA commitment before they have even seen it.

Since Mr. Fried's attack has become a part of the subcommittee's record, I respectfully request that this letter in answer thereto also be made a part of the record.

I cannot close this letter without expressing to you, on behalf of myself and the corporation I represent, my sincere appreciation for the fairness and impartiality with which the hearings of your subcommittee were conducted.

Sincerely yours,

JACK FERMAN, *President.*

The CHAIRMAN. The committee will stand in recess until 1:15.

(Whereupon, at 12:30 p. m., a recess was taken until 1:15 p. m. of the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

We have to run as near on time as we can. The other members will be in shortly. They are finishing their lunch.

The next witness is Mr. Iushewitz, secretary-treasurer of the New York City CIO Council.

We are glad to have you, Mr. Iushewitz.

Mr. IUSHEWITZ. Thank you, Mr. Chairman.

The CHAIRMAN. What is your connection with the CIO?

Mr. IUSHEWITZ. I am secretary-treasurer of the New York CIO Council. We represent a half million CIO members in New York City, Mr. Rains.

The CHAIRMAN. We will be glad to hear from you.

**STATEMENT OF MORRIS IUSHEWITZ, SECRETARY-TREASURER,  
NEW YORK CITY CIO COUNCIL**

Mr. IUSHEWITZ. I would like to thank the committee for the opportunity of being heard, and we are very glad to have you in New York because you know we are a big city with some tremendous problems. With your permission, sir, I would like to read some of this.

The CHAIRMAN. All right.

Mr. IUSHEWITZ. As you may have gathered by now, New York City is a town of extreme contrasts. Wealth and poverty exist here in amazing proximity. To prove this, let us look at the very place where we are meeting at this moment. Here we are in a hotel at Times Square. But if we were to walk a few blocks to the west we would find ourselves in the midst of M-9.

And what is M-9? It is a portion of this city, bounded by 8th Avenue, 10th Avenue, 43d Street, and 53d Street, which the New York City Planning Commission has designated as a section containing areas suitable for development and redevelopment.

The city planning commission has designated 50 such blighted areas in the city. They exist in each of our boroughs and M-9 is probably not the worst of them. I bring this one to your attention because it happens to be so close that perhaps you gentlemen might stroll over there today and get a first-hand view.

You would see there a crazy mixture of uses—residences, stores, restaurants, garages, office buildings, all crowded together. The houses are mostly dilapidated old-law walkups, lacking decent sanitary facilities, heat, and hot water.

In summer the residents crowd to the open windows, the fire escapes, and the stoops, to fight for a breath of fresh air. In winter real tragedy stalks these streets. Last winter we had a wave of fatal accidents in the blighted section of our town. Whole families in unheated tenements were asphyxiated by defective gas heaters or incinerated by flareups in kerosene stoves. In one 4-day period, gentlemen, we had 13 deaths as a result of these kerosene-stove accidents last winter, and I might add that it is not an exaggeration that unless there is a terrific change, this winter we can expect from 15 to 20 people, adults and children, families, to die.

I am not just talking from newspaper clips when I recall this, but from direct knowledge, because it just so happens that three of the victims were members of CIO unions. I remember 1 case where a child and an adult in a family that had 2 CIO members were killed as a result of 1 of these kerosene fires. We finally managed to get the family into some decent public housing. There were 4 more children in the family, and the mother remarked at that time it "took 2 lives to get us a decent apartment."

Must these disasters again befall workingmen and their families in the winter now ahead and in succeeding winters? I say it is a

bitter reproach to all of us that fellow Americans, fellow human beings, should lose their lives so cruelly and so needlessly.

And such loss of life in fires is only the most dramatic evil consequence of slum life. We must also consider the spread of disease caused by overcrowding in ill-ventilated, ill-lighted, and ill-heated railroad flats. We must also bear in mind that the unfavorable environment of the slums is a powerful stimulant to juvenile delinquency and adult crime.

Still I did not come here to paint an entirely grim and hopeless picture for you. One bright spot is the fact that the New York City Housing Authority has done such a magnificent job. In the 20 years in which it has operated it has built and operated over 90 projects housing almost 111,000 families. It has made use of Federal subsidies and State subsidies and it has almost embarked on a program of unsubsidized housing for people in the lower middle-income brackets. It has brought decent housing at reasonable rentals to thousands of our citizens of all races and colors.

These public housing projects stand out like oases in the dreary wilderness of the slums. They provide the nucleus for the redevelopment of whole neighborhoods of the city.

But this is only a start on what remains an immense problem. The mayor's committee on better housing has just estimated that our city now needs a minimum of 439,000 new housing units if we are to accommodate our expanding population, and at the same time eliminate substandard housing. By contrast we expect only about 151,000 public and private housing starts in the next 5 years. As a result, the housing shortage, which has been with us since World War II, remains acute in New York City. The waiting lists for admission to public housing are heartbreakingly long and growing longer.

It is not exaggeration to tell you that my office has been turned into an application office for the CIO members who want to get into these projects and can't.

People in this town pay a disproportionate share of their income for housing. And all too often these inflated rentals bring them only slum accommodations.

The private building industry seems more interested in putting up office buildings than investing in new housing. And the Federal Government, which must be the mainspring of the public-housing program, has also been lagging in recent years.

In the National Housing Act of 1949, New York was to get 48,000 public housing starts. But congressional opponents of public housing whittled away at this figure from year to year and in the end we got only 25,000 starts.

Gentlemen, we need every one of these 48,000 housing units that were promised us in 1949. Let's stop making a political scapegoat out of public housing and get on with the great job of rebuilding this city.

Another phase of housing in which we look for Federal aid is the title I program. New York City has charted the most ambitious title I slum-clearing program in the country. But the Federal Housing Administration has stalled it for more than 2 years by withholding the necessary Government-insured mortgages.

Finally, last week, just 1 week before your committee arrived, the first such mortgage for a title I private housing project was issued.



We wonder whether this was just coincidence, or whether the FHA decided that it had better sweeten up the record before it came under your official scrutiny.

Probably only the Administrator of the Housing and Home Finance Agency, Mr. Albert M. Cole, could give us the answer to that one.

Frankly, we in CIO can temper our enthusiasm for those title I projects which are designed to rent for \$30 a room and upward. But we have the highest hopes for several title I jobs which are using cooperative financing so that they can be rented for about \$19 per room.

In fact, cooperative housing, whether combined with title I mark-downs or not—appeals to us strongly as a means of solving the housing problems of the great in-between group which earns too much to qualify for public housing and not enough to meet the inflationary demands for new private housing. I personally am a director of the United Housing Foundation, and have firsthand information on this type of housing, so I would like to devote the remaining few minutes of my appearance here to discussing cooperative housing.

As you are well aware, cooperative housing is financed by the people who will live in the development with the assistance of a lending institution which puts up the mortgage money. The residents own the development and run their business in a democratic fashion along the lines of a New England town meeting. It is the most private type of private enterprise with each individual family owning a part of the whole enterprise. Because they own a part of the whole, each resident takes a far greater interest in the property than if he were just a tenant. This can be seen by the number of activities which are started in the typical cooperative—nursery schools, teen-age canteens, credit unions, forums, photography clubs—a wide range of programs which tend to break down the sense of anonymity which so often exists in a city apartment house and creates instead a real sense of community.

In New York City, in addition to the very wealthy families who live in cooperatives of their own, almost 30,000 middle-income families own, and live, in cooperative apartments.

Most families live in cooperatives built by speculative interests operating under section 213 of the National Housing Act of 1950. Many of the irregularities exposed by Senator Capehart in his investigation last spring characterized the work of the speculative builder in the co-op field. But the fact remains that a great deal of housing was built and the approximately 20,000 apartments of the 213 program were almost the only speculatively built units in the 5 boroughs of New York which a middle-income family could afford. In my opinion, stricter supervision by the FHA of construction details, plus a fuller disclosure to the public of the financial details of the proposed developments, can make it possible for the legitimate builder to make a profit and yet have the prospective cooperator protected.

It is interesting to observe that while speculative builders had no trouble obtaining mortgage insurance from the FHA, civic and labor groups fared far less well. I believe your committee has inspected East River houses—Corlears Hook—the magnificent development on the lower East Side for 1,668 families. As you can see, this project is up, all the apartments are sold, and yet despite the fact that it was sponsored by the most experienced men in the cooperative housing

field these men were unable to arrange for FHA insurance of the mortgage on any acceptable terms. You may have visited the Morningside Gardens site. Here, again, the sponsors, a nonprofit group, were unable to obtain FHA insurance of the mortgage. Your committee would make a vital contribution to housing progress if you could discover the reasons FHA insurance was withheld and see that the error is not continued.

Nonprofit groups, labor, veterans, and civic, can make an enormous contribution to solving the middle-income housing problem via the cooperative method. Labor, civic, and veteran groups can get their membership together to participate in a cooperative housing development. They need professional guidance, and I am happy to say that, as I mentioned before, I am on the board of one organization, the United Housing Foundation, which has the know-how to aid nonprofit groups develop cooperative housing on a sound basis. Currently, the foundation is guiding 4 nonprofit groups in the development of 2,500 apartments in Manhattan, Brooklyn, and the Bronx.

Two of the groups are developing cooperatives in slum areas under title I, Corlears Hook and Kingsview in the Brooklyn, Fort Greene area. These projects illustrate another important feature of the cooperative method, it is the only way in which the ordinary worker can make a direct contribution to clear the slums of his city. In these 2 jobs the average participant has put over \$2,000 of his own cash into slum clearance, and when 2,000 families invest over \$2,000 apiece you are funneling a lot of money into slum clearance. I think the total figure is way over \$5 million.

Both Corlears Hook and Kingsview take advantage of a provision in the New York State law which allows nonprofit organizations which are willing to do slum clearance to be granted an exemption from taxation on the improvement of the city for 25 years. Of course, when the 25 years are up full taxes are paid and in the meantime the old slums have been replaced by new thriving communities. The benefits of title I, coupled with tax exemption, plus the cooperative approach, result in monthly charges of under \$85 per month, including utilities, for a 2-bedroom 4½-room apartment. Investments were about \$600 per room.

In both Kingsview and Corlears Hook, if FHA guaranties had been available, monthly carrying charges could have been even lower. For this reason I would like to urge this committee to do all in its power to see that the FHA encourages genuine consumer nonprofit sponsored cooperatives.

Before I conclude, may I comment on the magnificent plan described by Mayor Robert F. Wagner to you on Wednesday for the West Side of Manhattan area tentatively selected in his proposal. However admirable this plan may be, it must be pointed out to you that there are many sections of the city that require such help and whose continued existence now means only continuance of slums unfit for human beings in which to live. Concentrate on that specific section of the West Side, but not at the expense of our other sections of New York; for example, it immediately comes to mind for your attention another close-by West Side section. This is the section on which so much time and effort has been given by the North Harlem Community Improvement Association which is striving to redevelop

the four-block area between 139th Street and 141st Street between 7th and 8th Avenues.

Again, in this connection I would stress to you the need for considering and putting into use section 314 of the Federal Housing Act, which provides for funds to be made available to Government agencies for study of the overall rehabilitation needs of neighborhoods where smaller housing projects could be built as a further step in the way toward eradicating blighted areas. Money channeled into local communities under section 314 of the Federal Housing Act is needed to go ahead with any plans for new housing for our people.

In concluding, I would like to turn for a moment from the problems of the city to a little event of country life. I was informed recently by the owner of a farm in Connecticut that when a sheep died on the farm the Federal Government sent county agents, agricultural inspectors, and veterinarians to find out what had brought the poor creature to its untimely demise. I do not deprecate our Department of Agriculture in the slightest; there are sound economic reasons why diseases in animals should be studied and controlled. My point is simply this: If the Federal, State, and county governments can spend so much money, time, and energy to investigate the death of a dumb sheep it should give a proportionate share of its attention to averting the imminent decay and the death of whole neighborhoods of our great cities.

I know that you gentlemen came here with a determination to learn everything that New York City people can tell you about the problems of housing and slum clearance. I am sure that you have picked up a wealth of useful information, and I trust that you will use it to write an aggressive, practical, forward-looking housing program when you return to Washington. Be assured that on such a program CIO will back you to the hilt.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Iushewitz. It is a very interesting, informative, and good statement. I wish we had time to go over a lot of the aspects that you have mentioned. Many of them we have been over with other witnesses. I should like to compliment you and to say that in all of the years in Washington in the housing battles your organization has been in the forefront.

Mr. IUSHEWITZ. Thank you very much.

The CHAIRMAN. We are glad to have you and to have your views.

Mr. WIDNALL. Could I ask one question?

The CHAIRMAN. Yes.

Mr. WIDNALL. What would you think of qualifying union pension and welfare funds for investment in FHA and GI mortgages?

Mr. IUSHEWITZ. I am very much in favor of it, and in my work in the United Housing Foundation we are making a beginning in getting the unions in our city interested in these cooperative housing projects, and I, for one, and other union leaders, have suggested to them that that would be an excellent field for the investment of their money.

Mr. WIDNALL. It certainly would be a means by which they could help their members directly and get a better return on their money.

Mr. IUSHEWITZ. Yes; and do a great deal of good.

Mr. ADDONIZIO. And build more houses.

Mr. IUSHEWITZ. Yes.

Mr. WIDNALL. I am impressed by what the unions have already done in New York City in the housing field, and I think it is certainly a field they can get a great deal of satisfaction out of.

Mr. IUSHEWITZ. I feel that it is only a start, sir, and much more can and will be done as the unions become more familiar with it, and as the pressure increases on them from their membership for decent housing, and that pressure is increasing.

The CHAIRMAN. Every day.

Mr. GAMBLE. It is a safe investment for them because it is their own project.

Mr. IUSHEWITZ. That is right.

The CHAIRMAN. Thank you very much.

Is Mr. Van Arsdale here? He was to represent the A. F. of L.

The next witness will testify on behalf of the Urban League of Greater New York.

Will you come around and identify yourself for the record, please, sir?

Mr. LEWIS. Yes, sir; my name is Edward S. Lewis, executive director of the Urban League of Greater New York.

The CHAIRMAN. We are glad to have you, Mr. Lewis.

#### STATEMENT OF EDWARD S. LEWIS, EXECUTIVE DIRECTOR, URBAN LEAGUE OF GREATER NEW YORK

Mr. LEWIS. Thank you very much.

Mr. Chairman, we have four offices, in all of the boroughs of New York City with the exception of Richmond. We are an interracial organization of approximately 2,000 members here in New York City, and we have been working in this field for the past 45 years.

I should like to say that the testimony that I am going to give here is based on complaints which have come to our offices and also on the basis of our activities with other housing organizations.

One other comment. I think you have Urban Leagues in other cities where you will have hearings, and I am sure they will be glad to provide similar testimony.

The CHAIRMAN. Yes.

Mr. LEWIS. Housing has been accepted as one of the city's most important problems. Especially serious is the plight of Negro and other minority families who are increasingly bearing the brunt of piecemeal attempts to resolve the housing problem. The President's Advisory Committee on Housing summed up the situation as follows:

Our subcommittee is particularly conscious of the deplorable housing conditions of the families of minority groups. In 1950, nearly 70 percent of nonwhite families lived in dwellings which were dilapidated or were deficient in plumbing facilities. This is nearly three times the proportion of white families living under such conditions.

Minority families' housing problems stem from a number of causes, including migration, inadequate quantity and quality of available dwelling units, patterns of residential segregation, discriminatory rental and sale policies, and discriminatory lending policies.

The tenant relocation report of the city planning commission points out that the nonwhite population increase in New York City was 286,100, 60.9 percent, from 1940 to 1950, and the Puerto Rican population increase was 169,500, 220.7 percent, in the same period. This re-

port estimates the minority population, nonwhite and Puerto Rican, will increase 12.7 percent and will be 20.9 percent of the total population in 1960. Ten percent of the nonwhite and an estimated 10 percent of the Puerto Rican population, this report indicates, are in overcrowded dwelling units. Twenty-nine percent of the nonwhite and an estimated 22 percent of the Puerto Rican population, the Commission reports, are in dilapidated dwelling units.

I would like to suggest here, Mr. Chairman, that I hope the members of this committee will have access to the report which the city planning commission has made on the projected population increases, because I think this, in a sense, provides the backdrop for our recommendation.

Mr. GAMBLE. We have a copy of that, and it will be incorporated in our report.

Mr. LEWIS. Fine. Thank you.

This report's analysis of the distribution of minorities by census tract indicates how densely concentrated is the New York City minority population. Seventy percent of the Negro population lives on 4.7 percent of the census tracts, where they compose over 50 percent of the ethnic composition. The Puerto Rican population appears to be more widely distributed as the highest percentage, 35.4 percent, reside on census tracts, 96.4 percent of the total, where they comprise under 10 percent of the ethnic composition. In short, our city is growing, although divided by iron curtains of residential segregation. However, as long as we don't have an adequate housing program each day's growth adds to the overcrowding.

Despite the concern of government, at all levels, and private enterprise to end the housing crisis, Negroes and Puerto Ricans have gained little or no housing except for a pitifully small and ever-diminishing amount of low-rent public housing. These groups, in fact, have probably lost ground, and on the average may have less housing opportunities today in the midst of unprecedented construction than before World War II. Less than 1 percent of the new apartments constructed since 1946, approximately 85 percent of which were FHA insured, were available to minority citizens. Thus, in spite of an improved economic status, which the Urban League can document, the minority family found it almost impossible to move to a better neighborhood, regardless of financial or social position.

The Supreme Court decision outlawing racial segregation in public education is in essence the legal cornerstone of a new era in which equality of opportunity can become a reality. The Court's decision unequivocally points up the relationship between residential segregation and segregated schools. Residential segregation and the slums they spawn are anachronisms in a democratic society striving to be the bulwark of freedom in our time. The cost of slums, segregation, and discrimination have repeatedly been documented in terms of disease, crime, juvenile delinquency, wasted human and physical resources, and the economic cost to municipalities. Slums usually represent an average of 20 percent of a city's land area. Yet they account for 33 percent of the population, 35 percent of the fires, 45 percent of the crime, 55 percent of the juvenile delinquency, 45 percent of the city's service costs, and contribute a meager 6 percent of the city's tax revenue.

Practically everyone, from the man in the street to the city planner, concedes we do not have an adequate number of dwelling units to house

the population of our city. There is less agreement as to the number of units in total and the various rental categories we need in the city. The city planning commission recently estimated that we will have to build a rockbottom minimum of 438,000 units before 1960 in order to provide for population increases and minimal replacements. Recent reports of the mayor's committee for better housing indicate that the greatest housing needs are those of the low- and middle-income groups.

Urban redevelopment and specifically the title I programs have failed to provide housing; rather, title I has compounded our city's housing problem. Huge areas have been demolished for as much as 3 years without redevelopment of the areas. Consequently, thousands of families have been displaced, a majority of whom found themselves unqualified for public housing and unable to find other dwellings because of the general housing shortage. Most of these families resort to doubling up with relatives and friends, thereby intensifying the overcrowding in already deteriorating neighborhoods. A large number of these families find that discriminatory rental practices prohibit their finding suitable accommodations.

The most serious complaints have been in regard to the following title I developments: Manhattantown, where approximately 50 percent of the site tenants were Negroes and Puerto Ricans; and Godfrey Nurse Houses, where almost 100 percent of the site tenants were Negroes. Both developers have been charged with failure to relocate site tenants as well as failure to maintain occupied site buildings in decent, safe, and sanitary conditions. The New York Times reported on April 2, 1954, as follows:

This city's slum clearance committee, whose chairman is Robert Moses, city construction coordinator, certifies periodically to the Federal agency that all legal requirements of relocations have been fulfilled. A study by the New York Times has showed that neither the Moses committee nor the private redevelopers have data to show that "decent, safe, and sanitary dwellings within their financial means" have been made available to all of the uprooted. It indicated, in fact, that this had not been provided in some cases.

Scores of convictions for inhuman and hazardous conditions of occupied buildings on the Godfrey Nurse site, many as late as the spring of 1955, are a matter of record in the magistrate's court.

FHA multiple- and single-family developments between 1946 and 1954 account for between 85 and 95 percent of new dwellings constructed. This agency's policies during this period passively, if not actively, encouraged creation of segregated communities. As a result, minority groups were and are caught in a vicious circle, residential segregation, which creates slums, which reinforces race prejudice, which in turn strengthens the barrier of residential segregation.

The current policies of this agency do not seem to indicate willingness to require that housing currently being constructed be subject to local antibias legislation in the same way that such housing is required to conform to local zoning regulations. One such development, Park City in Queens, and we can give detailed information on this, has refused a number of qualified Negro applicants on the flimsiest of grounds. FHA's policies pertaining to single-family housing are equally discriminatory as a number of families have registered their complaints of discrimination with the Urban League.

One of the generally recognized major deterrents to the problem of increasing the housing supply for nonwhites is in the area of mortgage financing. A recent National Urban League report of the expe-

riences of 19 developers' efforts to secure mortgage commitments highlights the problem. After protracted negotiations over a 14-month period with various types of institutions, only 5 developers secured commitments. All of these were secured from a special Federal National Mortgage Association fund.

Banks, insurance companies, and the Federal Housing Administration have been criticized for discriminatory practices. The undisputed results of these practices have been—

1. To limit the number of mortgages on multifamily developments involving Negro occupancy;
2. To decrease the ratio of mortgage to market value when homes are to be occupied by a Negro family;
3. To increase the interest rate and cost of the dwelling for Negro owners;
4. To extend mortgage negotiations, increasing costs, and risks.
5. To dissuade developers from building on an open occupancy basis.

Evaluation of the facts as accumulated by authoritative studies and the long-term experience of involved agencies point to discriminatory attitudes. Margaret Kane, of the Federal Housing Administration, in reporting the positive experiences of a number of banking institutions in the minority market, points out:

Time after time in comments from inside and outside the Federal Housing Administration, it has been emphasized that when the same standards are applied there is no difference as a credit risk between a borrower who is a member of a minority group and any other borrower. The difficulties that are experienced usually develop when borrowers of any race are not given good value for their money and when they are allowed to assume debts beyond their ability to pay.

And, Mr. Chairman, and members of the committee, I want to insert at this point a statement which is not included because we didn't get it soon enough, but I will read it. It refers to the race-relations advisers which we haven't had in the New York area for 2 years.

It is generally recognized that housing in New York City is the most potentially explosive and backward area in the field of race relations. Yet, Federal housing agencies—FHA, HHFA, and PHA—have failed to appoint race-relations personnel in the local offices. FHA and HHFA, it is significant that these positions have been vacant for at least 2 years, seeming to indicate an attitude on the part of those Federal agencies that there is no minority housing problems of any seriousness. I would like to emphasize this, gentlemen, because I started working with race-relations advisers 30 years ago in Baltimore. I know of no group that has been more effective in combatting some of the types of problems we have been involved in here in terms of advising on race relations.

Here in New York we have had vacancies for 2 years and haven't had appointments. I think it is ludicrous for the race-relations adviser—this is no criticism or comment on Philadelphia—we have a situation where the race-relations adviser in the Philadelphia region is coming over to advise New York.

Now, we would like to recommend—you gentlemen of the Congress have great influence in asking these agencies certain questions which can help out, and I think if you could help us on the matter of getting more advisers this would be a major contribution.

On the basis of the above, the Urban League sees as necessary provisions to resolve New York's housing problem the following:

1. Increasing the quantity of federally subsidized low-rent housing.
2. Increasing the quantity of federally assisted middle-income housing.

3. Antidiscriminatory provisions in all governmentally assisted housing with strong legal sanctions, assuring minority groups equal opportunity to rent, purchase, or secure mortgages.

I would just like to say that there are apparently 1 or 2 States that have made progress in this direction. We think that this movement would be greatly enhanced if we had antidiscriminatory legislation at the overall Government level.

4. Greater emphasis on open land as contrasted to slum-clearance construction.

5. Stronger provisions for relocation assistance to site tenants, with specific delegated authority for implementation.

6. Stronger safeguards against failure to maintain occupied site buildings, with specific delegated authority for implementation, in decent, safe, and sanitary conditions.

7. Provisions for more careful surveys of the population on proposed title I sites.

8. Greater integration and coordination of the various housing programs.

And, I may say, we appreciate this opportunity which you have given us to appear.

The CHAIRMAN. I want to thank you on behalf of the committee for a well prepared and well presented statement. Some of the gentlemen might have some brief questions.

Mr. BARRETT. I wanted to get your name.

Mr. LEWIS. Edward S. Lewis.

Mr. ADDONIZIO. I have one question.

The CHAIRMAN. Mr. Addonizio.

Mr. ADDONIZIO. On page 3 of your statement, Mr. Lewis, you refer specifically to the title I program. You say it has failed to provide housing. I would not want the inference to rest that you are against the title I program.

Mr. LEWIS. We are not, sir; no.

Mr. ADDONIZIO. What you are interested in is speeding up the program?

Mr. LEWIS. Precisely. We are not against title I, but we wanted to point out for the record that at least up to this point we haven't got any new housing units.

No; we are not against title I. We are for it.

Mr. ALVES. That was specifically pointed to in the 3 years that the title I program has been in effect; in the city you have had no actual construction of apartments in which people are now living.

Mr. ADDONIZIO. We are aware of that. I simply wanted to make that point clear for the record.

On page 4 you referred to this Park City in Queens.

Mr. LEWIS. Yes.

Mr. ADDONIZIO. And you said a number of qualified Negro applicants had been refused occupancy on the flimsiest of grounds. Could you detail that?



Mr. LEWIS. I would like Mr. Alves, who is our housing director, working with the families, to tell you some of the things that have happened. I would like for this to go into the record.

Mr. ADDONIZIO. I would appreciate it if you would highlight it because I know the committee is pressed for time.

Mr. ALVES. Park City is a subject which has received FHA mortgage insurance. It is being built in Queens, and it is a huge development of approximately 4,000 apartments. They have just finished the renting of the first section, a total of about 1,800 units. In the course of this renting we referred families to Park City in accord with our policy to make known available information to the community of housing opportunities that exist. Families did apply.

Now, I can give you specific references to two of the families that were turned down on a very shoddy basis. One family had an outside source of income; that is, the person was employed and owned property in another city. She was told that they would not be able to accept an application because they would not be able to verify the income from the property owned in another city. That was the first basis for it. When she pressed the thing they finally agreed that they would accept an application. However, on accepting the application they failed to put in the application the information relative to income from the property owned. It was then necessary for her to bring to the attention of the rental manager in his letter this fact. She was then turned down, although clearly having all of the qualifications for occupancy. She could afford it. She wasn't going to overoccupy the apartment. She has a very responsible position with a city government agency, so forth and so on.

The second instance is a little bit more ludicrous. This is a family that have recently sought to rent a six-room apartment, and the person went to apply and was told that there was no apartment available on any floor below the 11th, that there were apartments between the 11th and 15th floors. She previously had checked by telephone and found that there were apartments, six-room apartments, on all floors. She got to the renting office, and the person there told her this, and then went on to discourage her by saying the following: "You wouldn't want to live that high up. You would have to keep all of the windows closed; it is awfully drafty; the elevator might not work, and it is an awful long pull that high up," and the person had brought along an elderly mother who was going to live with her, and the sales person then referred to the elderly lady and said this would be an awfully difficult thing for such a person to climb 11 to 15 flights of stairs.

Now, these are the two instances which highlight really the attitude taken by the management of Park City, the rental management of Park City.

The CHAIRMAN. Any other questions, gentlemen?

Mr. ASHLEY. I have one question.

Mr. LEWIS. I do want to repeat what Chairman Rains has said with reference to the statement which you have presented today. Certainly the position of the Urban League is one to be respected in every degree.

On the first page of your report you state that minority families are having difficulties with respect to inadequate quality and quantity of available dwelling units, which I have seen myself, and that they

are subject to patterns of residential segregation which we have also seen.

Mr. LEWIS. Right.

Mr. ASHLEY. Now, I wonder if you would briefly give me a picture of the discriminatory rental policies, not those that have just been gone into, but what further problems do you have in that respect?

Mr. LEWIS. I will have Mr. Alves comment on that. He has first hand information.

Mr. ALVES. If we eliminate from our remarks, then comments relative to such housing as Park City is public assisted in a sense we would be talking about housing that is privately owned. I will give you two illustrations.

A few years ago there were two developments put up in Queens, which received FHA mortgage insurance. They were put up as builder-sponsored co-ops. At the time the builders decided that they would not have an open rental policy, and so did not make those available, those apartments, to Negroes, although there were applications at that point.

In both instances there was considerable discussion.

Mr. ASHLEY. Were Negroes displaced from this area in order for the construction?

Mr. ALVES. No, in this case it was open land development. Although some people had applied, and there was some consideration by rental authorities relative to opening the project. Now, within 2 years people have come to the Urban League asking that we assist them in having Negro and other minority tenants in their development at this point. That is one indication.

There are innumerable instances where families applied following a newspaper advertisement. I would pick up the New York Times and see apartment for rent, so and so are the terms, and they would call up and find that they could rent the apartment. It was available, and so forth, and so on, and then on appearing be told that the apartment was just sold or some other excuse like that.

There was a very recent instance that we were familiar with involving a student who had come to New York to study law at New York University, and had rented an apartment. The landlord accepted the first month's rent. This was done on his behalf by a friend that was going to go to school with him who was located here. This fellow was coming from out of town. On his arrival with furniture—

Mr. BARRETT. Was his friend Negro?

Mr. ALVES. No, the friend was not Negro.

On his arrival with furniture, etc., he was refused admittance to the apartment. This was one instance. We have another situation reported to us recently—

The CHAIRMAN. I don't want to interrupt, but I would like for you to put all of those in the record—I am sure you appreciate the fact that we are getting close to train time, and I will be happy for you to put each one of them in the record along with your testimony.

Mr. LEWIS. Certainly.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Gentlemen, I want to thank you. It was agreed by this committee, because of the time element, that questions be very brief. It is not any discourtesy. We generally follow the seniority

rule here and the agreement among the members was to keep the questions brief because of the necessity of getting away from here today, and to give all witnesses a full hearing, which would not be possible if the time were consumed with examination of the witnesses first called.

I did not want to be put in the position by my silence in not asking you any question of any misunderstanding of my attitude. I think you know that I, as a Member of the Congress, have voted on every and all occasions for any measure that was calculated to end discrimination in any form.

Mr. GAMBLE. Well, we all do.

Mr. WIDNALL. One question, Mr. Lewis: Mr. Moses referred to the influx of Puerto Ricans to the city as did several other witnesses, and the consequent impact on the low-rent housing areas, I will say the slum areas of the city. What is the public assistance law in New York now for those who have just moved into the city? Can they get on relief almost immediately?

Mr. LEWIS. No; 3 years is the public assistance law in New York City. They cannot get on the minute they come in, Negroes or Puerto Ricans.

Mr. ALVES. I don't think that is exactly the situation.

Mr. ADDONIZIO. It is my understanding they can get on relief rolls as soon as they show up and apply for it.

The CHAIRMAN. Thank you very much, gentlemen. I appreciate your bringing your message to the committee. I was sorry to interrupt you, but any additional information you want to put in the record we will be glad to include.

Mr. SEGALL. May I interrupt for a moment. I don't wish to make a statement, but I am an attorney and I have done a lot of work under the FHA program.

The CHAIRMAN. What is your name, for the record, please?

Mr. SEGALL. Bernard Segall.

#### STATEMENT OF BERNARD SEGALL

Mr. SEGALL. I have not made any comments, but I have just made certain recommendations, and I would be very happy to submit this to your committee. This has to do with the 213 cooperative program primarily.

I might add that in my opinion the 213 program is a wonderful program, to furnish the much needed housing units for the middle income group. I think it is the best program under the FHA program, and it is with that in mind that I have submitted this statement with certain recommendations because I have been in it from the very inception.

I might also add that this was very amusing to me when I read the 1955 amendment that when the Congress authorized the Commissioner to appoint an assistant to take charge of the 213 program, the act itself said appoint someone who is fully sympathetic with the program.

The CHAIRMAN. Well, now, just a minute. If you want your statement in the record I will be glad to have it, but we have another on the intent of interest.

Does that cover the statement you are now making?

Mr. SEGALL. It does not.

The CHAIRMAN. I would be glad to give you full time—

Mr. SEGALL. I don't want to take any more time of your committee. These are certain recommendations in connection with the 213 program that I think might be of use to you.

The CHAIRMAN. We will put it in the record, and we appreciate it. (The statement of Mr. Bernard Segall is as follows:)

#### STATEMENT OF BERNARD SEGALL

##### I. IDENTITY OF INTEREST

It is evident that the regulations when speaking of the identity of interest (see sec 241.33 and 241.34) mean identity of interest between the mortgagor corporation, its officers, directors, stockholders, and the builder, general contractor, or subcontractors. This was borne out in the commitment to insure, issued by the FHA in mentioning conditions and requirements, which mentions an identity of interest between the mortgagor and the builder.

The directives issued under the 1954 Housing Act also refer to the relationship (or identity of interest) between the mortgagor and general contractor (see letter to directors dated October 7, 1954 and letter of CH-108 dated September 13, 1954, p. 6). It therefore, seems that where none of the original five sponsors of the cooperative corporations who are officers and directors of the mortgagor cooperative corporation, are not in any way financially or otherwise connected with the general contractor or its subcontractors. Even though the stockholders or interested parties constituting the general contractor are also the fee owners of the cooperative project and may very well be the financial sponsors of same, there still is no identity of interest between the mortgagor and the general contractor.

The mere fact that the entrepreneurs or financial sponsors of the project advance money for the preparation of tentative plans, pay application fee, etc., matters that necessarily must be attended to and expenses incurred in order to prepare and submit the application should not be determinable on the question of identity of interest. Unless this were done, that is the advancement of certain funds, by the financial sponsors a large-scale cooperative project would never come into being.

Assume that A and B are the financial sponsors of a project; that A and B owned the fee and will be the landlord of the property to be leased to the cooperative, which leasehold will be mortgage; assume also that A and B form their own construction corporation, for the purpose of entering into construction contract lump sum, with the mortgagor cooperative corporation. Assume also that A and B, the financial sponsors, will not be stockholders, officers, or directors of the cooperative corporation, but the original five sponsors of the cooperative corporation will be in nowise related or connected, financially or otherwise, with the financial sponsors, A and B; assume that the minutes of the cooperative corporation disclose all these facts and further authorize the cooperative corporation to induce A and B, the financial sponsors, to undertake the project, buy the land, get the data together necessary for the filing of an application, agree to execute the indemnity agreement or secure a bond that in consideration of these acts, the cooperative corporation will permit A and B or their construction concern to obtain the general contract lump sum, provided the contract price is equal and does not exceed the bids received from three independent recognized general contractors. Assume all of these facts and the FHA will agree that there is no identity of interest, there properly may be a lump-sum contract.

##### II REQUIREMENT OF 100 PERCENT SALE OF APARTMENTS BEFORE INITIAL CLOSING AND COMMENCEMENT OF CONSTRUCTION

Experience has shown that it is difficult to sell apartments on the cooperative basis before construction actually starts. Long drawn out selling periods makes the project more costly and existing cooperators become restless, dissatisfied, and are more apt to cancel out. Experience has also shown that after construction begins, apartments are more easily salable and cooperators more satisfied and less inclined to cancel out.

## III. PERMISSION TO START CONSTRUCTION PRIOR TO INITIAL CLOSING

Along these lines there are two suggestions:

(a) Either the FHA permit the sponsors to advance sufficient funds to the cooperative to permit the cooperative mortgagor to make the required deposits of cash to complete and working capital thus permitting the initial closing to take place prior to the sale of 100 percent of the apartments; or (b) permission be given to commence construction after the issuance of the commitment for insurance and before obtaining 100 percent membership. In other words, it shouldn't be necessary to delay construction until the initial endorsement.

The major cause of dissatisfaction among cooperative subscribers to date is the great amount of time that elapses between their purchase of stock and the date they secure occupancy of the apartment. In some cases the interval has been as long as 2 years. Very often subscribers are compelled to obtain month to month renewals from their landlords, which causes them additional expense, and serves as a constant irritant.

If the builder-sponsor can obtain from the FHA permission to start construction (similar to that granted under sec. 207) and have an inspector of construction assigned by FHA to the project simultaneously with the commencement of selling, a great deal would be done to eliminate the dissatisfaction of subscribers, as the occupancy date could be set up within a 7-month period. There are certain disadvantages to the proposal as follows:

(a) The builder-sponsor would need financing on an uninsured basis until the requisite number of apartments have been sold and the building loan mortgage closed. The builder-sponsor could not secure a payment on requisition as neither the mortgage money nor the subscribers' money would be available until the building loan mortgage closing.

(b) The builder-sponsor could not charge interest on the money advanced for construction purposes before the building loan mortgage closing. In addition, he would be taking the risk of any loss that may be sustained by reason of the fact that he is unable to sell 100 percent of the apartments and thereby secure the mortgage commitment from the FHA.

All of the disadvantages hereinbefore stated affect only the builder-sponsor. The subscriber, however, would obtain several advantages. These are as follows:

(a) A reasonably accurate delivery date could be promised the subscribers which in all probability could be within 7 months of the starting date.

(b) The subscribers would receive the benefit of savings of interest on building loan advances due to the fact that no interest would be chargeable on construction completed by the general contractor prior to the closing of the building loan mortgage and the first advance made under that mortgage.

(c) There would be additional savings to the subscriber from such items as real-estate taxes, fire insurance, FHA mortgage insurance, etc.

(d) By shortening the construction period, the general contractor would save money on overhead enabling him to give the subscribers additional value without additional costs.

(e) The subscribers' attitude toward the builder-sponsor would be kept on a friendly relationship basis as both sides would understand that each is trying to help the other and to produce harmoniously a satisfactory project.

## IV. PERMISSION TO HAVE THE SUBSCRIBERS FINANCE PURCHASE OF STOCK

It is evident that there is a large percentage of prospective subscribers unable to take advantage of the 213 program solely by reason of the fact that they have not available the full amount required to purchase the stock of the cooperative, although earning substantial salaries and gainfully employed.

The potential purchasers comprising this group, notwithstanding the loan contemplated, would well be able to qualify and meet the FHA financial requirements for approval. The application of the subscriber filed with the FHA for credit approval would set forth the amount to be borrowed and the terms of repayment. Therefore, the additional amounts required to repay any such loan would be considered by your office in determining the ability of the applicant-subscriber to meet the financial requirements to qualify as a member of the cooperative-mortgagor-corporation. To meet the possible objection contained in paragraph 18 of the mortgagor's statement (FHA Form No 3212) required at the

initial closing, the lender would agree, in the event of a default in the repayment of said loan, not to resort to the stock of the cooperative-mortgagor-corporation issued to the subscriber, the borrower, to obtain repayment of the loan.

In view of the fact that—

- (a) All credit restrictions have been lifted;
- (b) Paragraph 18 of the mortgagor's certificate permits borrowing by the subscriber;
- (c) Full disclosure of the contemplated loan is set forth in the application of the subscriber filed with the FHA for credit approval; and
- (d) Neither the stock to be issued to the subscriber nor the mortgaged property may be affected by said loan.

Our clients believe the financing of the subscription price should not only be approved but encouraged, and that said financing should not require any such loan to be secured by collateral of the borrower. There is no doubt if such financing were permitted it would be in the public interest, as it would afford a large percentage of the population presently in dire need of the housing accommodations offered under section 213 an opportunity to obtain suitable living quarters

#### V ASSURANCE OF COMPLETION

The regulations provide three methods and an overall clause, which permits some other form recommended by the mortgagee and approved by the commissioner. The question is, Is it permissible for the general contractor to furnish a surety company bond as provided in such section?

#### VI. WORKING CAPITAL

It seems in the new regulations, particularly as to sales-type cooperative, which requires 7 percent downpayment, the regulations provide that the working capital of 2 percent requirement is not added to the 7 percent (see CH letter 133 dated August 11, 1955).

This should also prevail in management-type cooperatives, which require a 5-percent cash equity and if applicable, then necessarily the cost of the acquisition to the cooperators will be that much less (2 percent working capital should be included in the 5 percent).

The CHAIRMAN. Is Mr. Van Arsdale here?

Is anybody here representing the A. F. of L. on housing that has a statement.

Mr. JOSEPH ADDONIZIO. Could I make a brief statement for the record, which has not been prompted by anyone?

The CHAIRMAN. We have to keep these hearings orderly. But we will be glad to have your statement.

#### STATEMENT OF JOSEPH ADDONIZIO

Mr. JOSEPH ADDONIZIO. My name is Joseph Addonizio, and I am here in the capacity of a private citizen.

Representative ADDONIZIO. I want the record to show that even though it is in the family, I don't necessarily agree with him on everything.

Mr. JOSEPH ADDONIZIO. I am here from the Bronx, not from the Bronx Board of Trade, but as a private citizen.

I know you have heard all of the organized groups, and I wanted to deviate from that just a moment in order to place on the record the fact of the appreciation of your presence here in getting all of the facts objectively. I know that you have had the welcome of the city and the welcome of other organized groups.

I believe that the matter of housing is, of course, of sufficient importance for everyone organized or unorganized to become interested in the subject. Unfortunately, there is a very vast majority of unorganized people that come within the middle-income housing eligibility

and while there has been a great deal of talk on the part of many of the municipalities, as well as the State government, and the Federal Government, we find still that the middle-income housing group actually is treated as a minority group because there has been a terrific—

Mr. GAMBLE. Middle income, you are talking about?

Mr. JOSEPH ADDONIZIO. Yes; because there has been too much emphasis on public housing.

I don't disagree with that, but it is unfortunate that whenever the city of New York embarks on any project, whether it is with the city, State, or Federal assistance, they always drag in some tax-exempt aspect which makes it more difficult for the people who have to pay the taxes. I say this because in the Bronx, which I am familiar with, and where I have lived for a great many years, there has been in proportion about 10 to 1 of public housing in proportion to the middle-income housing.

I am not going to tell you how to do it. All I can say is that I am hopeful that in the next session of Congress this committee will make certain definite recommendations that will aid and encourage private enterprise with respect to the construction of middle-income housing units.

I wanted to put that on the record.

Mr. BARRETT. Joe, may I just add this to your final expression?

Mr. JOSEPH ADDONIZIO. Certainly.

Mr. BARRETT. The Addonizios are very well represented in Congress.

Mr. ADDONIZIO. I am aware of that.

Mr. BARRETT. I think anything you would like to get you certainly can get from him, and I am sure it will be of the highest type.

Mr. ADDONIZIO. We have had nothing but cooperation.

Representative ADDONIZIO. I appreciate that.

Mr. JOSEPH ADDONIZIO. They are prolific enough, and there will always be an Addonizio.

The CHAIRMAN. Thank you for appearing.

Mr. JOSEPH ADDONIZIO. Thank you.

The CHAIRMAN. Ladies and gentlemen, is Mr. Van Arsdale here yet?

Well, I would like for the record to show that we made an effort to get him. There must be some mixup. He was notified before he left Washington we would like to hear from him and reserve a place in the record for any statement that the A. F. of L. desires.

With that, I want to thank first of all my distinguished colleagues for their cooperation. I want to thank the city of New York for being kind and good to us, and to tell you that we have learned a lot, and that we hope that we can be of some benefit to you in Washington with the problems of housing, not only in this great city and surrounding area, but throughout the Nation.

Thank you very much, and come to Washington to see us.

(Whereupon, at 2:20 p. m., the subcommittee adjourned.)

STATEMENT OF THE NEW YORK STATE COMMITTEE ON DISCRIMINATION IN HOUSING, NEW YORK, N. Y., SUBMITTED TO HOUSING INVESTIGATION SUBCOMMITTEE OF THE HOUSE COMMITTEE ON BANKING AND CURRENCY, OCTOBER 5, 6, AND 7, 1955

New York City, like most large urban centers, is experiencing a major housing crisis. Unless New York is made an attractive and healthy place in which to live and raise families, we run the risk of losing our middle class. We must

conserve our present housing inventory, increase the supply of good middle-income and low-income housing, and eliminate areas of blight.

Middle-class white families are fleeing to the suburbs. This mass exodus is bringing with it tremendous problems of sudden growth for suburban areas, and the social and economic disorganization attendant upon the development of a two-class city, composed of the very rich and the very poor, with an increasing proportion of minority families. It is also increasing racial separation in city and suburb.

The barrier of housing discrimination faced by members of minority groups, relegating them to certain circumscribed areas of residence, is a central inescapable fact. In 1950, although nonwhite families constituted 9.8 percent of the population, only 8 percent of the city's housing supply was occupied by them. The continuing increase in the nonwhite population has not been matched by a comparable increase in available housing. The gap between real demand and the supply of decent housing accommodations continues to widen. In the period from 1940 to 1950 the nonwhite population increased 62 percent, but the increase in dwellings occupied by them was only 58 percent.

The housing available to minority families is almost exclusively in the old, already overcrowded areas of the city. They are only permitted in slums, and then it is charged that minorities make slums. Areas of new construction have been all but completely closed. One-third of the city's slums are occupied by minority families, who constitute some 12 percent of the population.

Any program designed on a realistic basis to redevelop and renew New York City must face these issues squarely. Programs must meet these realities. Federal housing officials have publicly stated that the solution of minority housing problems is essential for the successful execution of urban renewal. HHFA Administrator Cole has on many occasions pointed out that the Federal Government has the responsibility to take the leadership in this respect. He further promised that Federal funds will not be paid out to localities that default in their obligations to minority citizens.

Despite these pronouncements, it is becoming increasingly apparent in New York City and in most other areas that the hardship attendant upon urban renewal is falling disproportionately hard on minority families without their receiving commensurate benefit. The Federal programs are, in effect, compounding the existing difficulties.

In New York City, 40 percent of the families displaced by title I operations are members of minority groups. Slum clearance projects undertaken by both the New York City Housing Authority and the Committee on Slum Clearance have been heavily concentrated in areas of high minority residence. It is estimated that the 9 title I projects, now in the development stage, alone are displacing over 7,400 nonwhite families. Those who are eligible for public housing will be taken care of. The others have literally no place to go.

As a result, it has been difficult to provide sufficient, adequate relocation facilities for the thousands of nonwhite families being displaced. Permanent relocation has been delayed and progress in site clearance impeded. For example, the Harlem and North Harlem projects were acquired 3 years ago. Relocation began shortly thereafter. Yet, today over 1,400 Negro families are still on site, awaiting permanent relocation. Many have relocated in private housing worse than that from which they were forced to move.

In Manhattantown, 1,953 white and 2,132 nonwhite families were on site when the project was acquired. All but 700 white families have been relocated, but over 1,300 nonwhite families are still on site.

In New York City we are fortunate in that the new title I housing is required by law to be built on an open-occupancy basis. However, in most cases the new housing is too high priced to house the families which it displaces. Thus, as the relocation subcommittee of our Mayor's Committee for Better Housing pointed out, there is evidence that slum clearance has intensified significantly the overcrowding in slum areas and has resulted in the creation of new slums at a faster pace than old ones are being eliminated. We are faced with the appalling situation of permitting a program to be carried out which reduces the supply of low-cost housing at a time when there is already a critical shortage of this kind of shelter. For example, the Real Estate Board found that the vacancy rate in old-law tenements in March 1955 was one-tenth of 1 percent. Housing and land space available to minorities is actually being curtailed. It is no wonder that in some quarters urban renewal is becoming known as Negro clearance.

There is a need for a reappraisal of site selection policies in New York City and elsewhere. Title I permits the acquisition of open and predominantly open



sites. Nevertheless, no vacant sites have been used for title I housing. Public housing as well has emphasized slum sites. The emphasis on sites of high population density and high minority concentration is defeating the urban renewal program before it can even get started. In addition, the concentration on minority occupied sites has increased the proportion of colored tenants in subsidized projects. As a consequence, many racially integrated public housing projects are becoming predominantly or exclusively Negro developments.

Limited rehousing facilities are not the sole cause of the delay in relocation. The administration of relocation in New York leaves much to be desired. We believe that New York should be required to conform to national administrative practices. The city itself should clear the land, relocate the residents, and sell cleared land to the private redeveloper. This is the way in which every city handles the situation except New York. We maintain that a centralized public agency should have responsibility for relocation. Permitting private sponsors to do the job themselves has resulted in the failure to adopt uniform practices, laxity of standards, and grave individual hardship. Last year's hearings by Senator Capehart indicated that these failures have permitted financial manipulation at the expense of site tenants and the city.

In the programing process grave deficiencies exist. There is no national racial policy and inadequate race relations review for urban renewal proposals. Despite HHFA Administrator Cole's repeated stress on minority factors in urban renewal, in execution these considerations are not being taken into account. The absence of a race relations officer on the staff of the urban renewal regional office is a glaring omission. The Washington race relations review cannot be performed unless there is a person on the local level responsible for information and evaluation.

It is inconceivable that no race-relations service is provided with respect to the new and exceedingly complex urban renewal program comparable to that which has become traditional with FHA and PHA. In this respect there has been actual retrogression, in that the race-relations functions previously assigned to the urban renewal relocation specialists have been removed from that job specification.

The requirement that all localities submit a workable program attacking the problems of urban decay seemed a hopeful sign that the previous segmented approach may be abandoned. A feasible relocation plan is one element of the workable program. However, in practice workable programs have been no more than promises and intentions and the piecemeal programing of projects has continued as before.

It is particularly disheartening to witness the failure to develop policy and to watch increasing evidence of regression. The dismissal of Dr. Frank Horne, former Director of the Racial Relations Service, by Housing Administrator Albert Cole on excuses of "budgetary considerations," is but the latest in a long list of backward steps.

FHA is a central factor in increasing the supply of housing. Minority families have been, for all practical purposes, excluded from the benefits of this program. Of the more than 100,000 new postwar, FHA-insured homes built in New York City, not more than 900 units are occupied by minority families. This is less than 1 percent of the total. Moreover, Housing and Home Finance Agency policy requiring FHA and title I cooperation in providing homes for displaced minority families has never been implemented. At the present time, FHA is presented with a challenge in New York. The Metcalf-Baker law, enacted by the State legislature in 1955, provides that there shall be no discrimination in the sale or leasing of housing in multiple dwellings and developments of 10 or more homes which receive Government mortgage insurance after July 1, 1955. This covers the overwhelming majority of FHA-insured housing to be built in New York. Certainly, then, in New York State, with the law so explicit, FHA should refuse to insure any housing which does not conform to a nondiscriminatory policy. This is no more than FHA requires in connection with zoning regulations, etc. We would hope that FHA will adopt regulations accordingly.

In addition, the position of FHA race relations adviser for the New York area has been vacant for the last 2 years. This is a crucial position at the present time, and should be filled without delay by a qualified person familiar with housing and race relations.

When section 220 was adopted it was heralded as a great benefit for the residential redevelopment of slum clearance project areas. However, the delay in establishment of policies and procedures for issuance of FHA insurance commitments under this section of the act has deterred progress in the title I

program After all the months of discussion, certifications have been issued for only 6 areas in New York City; commitments for 1. This certification pertains only to multifamily units. There is no evidence that section 220 will be made available for rehabilitation, despite expressed HHFA policy.

The courts and Government officials, including the President, have firmly enunciated the principle that Federal powers and aids may not be used to further racial or religious discrimination. In the execution of the Federal housing programs, extension of segregation has actually resulted. The time for policy change is long overdue.

The failure on the part of the housing agencies to act to eliminate segregation from the housing constructed with various Federal aids has resulted in frustration and hopelessness among those concerned with the health and vitality of our community life.

#### SUMMARY OF RECOMMENDATIONS

1. Bar the use of any Federal housing aids to support or extend segregation.
2. Reappraisal of site selection policies to insure adequate use of open and predominantly open sites for both public housing and title I and to avoid use of densely populated areas of minority concentration.
3. Require New York City itself to assume responsibility to relocate families from title I sites and sell the cleared land to the private sponsors.
4. Provide trained personnel on the staff of local urban renewal office to conduct race-relations review of all urban renewal proposals.
5. Require workable programs to contain concrete evidence of a feasible relocation plan.
6. FHA to require adherence to Metcalf-Baker law
7. Revitalize and strengthen the racial-relations service of the Federal housing agencies.

Statement subscribed to by the following organizations:

American Jewish Committee, New York chapter  
 American Jewish Congress  
 American Veterans' Committee, New York region  
 Anti-Defamation League of B'nai B'rith  
 Council of Social Action, Congregational Christian Churches  
 Council of Spanish-American Organizations of Greater New York  
 Department of Christian Social Relations, Episcopal Diocese of New York  
 Friendship House of Harlem  
 Harlem Mortgage and Improvement Council  
 Jewish Labor Committee  
 New York chapter, Americans for Democratic Action  
 Manhattan council, National Council of Negro Women  
 New York Civil Liberties Union  
 New York branch, National Association for the Advancement of Colored People  
 United Neighborhood Houses of New York

(The following letters, referred to at p. 45, were submitted for inclusion in the record by Mr. Moses:)

CITY OF NEW YORK,  
 OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*Randall's Island, New York 35, November 10, 1955.*

HON. ALBERT RAINS,  
*Subcommittee on Housing,  
 Committee on Banking and Currency,  
 House of Representatives, Washington, D. C.*

DEAR MR RAINS: Attached is recent correspondence with Mr. Cole.  
 Sincerely,

ROBT. MOSES, *Chairman.*

CITY OF NEW YORK,  
 OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*Randall's Island, New York 35, November 10, 1955.*

HON. ALBERT M COLE,  
*Administrator, Housing and Home Finance Agency,  
 Washington 25, D. C.*

DEAR MR. COLE: I have a letter from Mr. Meistrell dated November 4, 1955, in reply to mine of October 25, 1955. I assume Mr. Meistrell discussed this with you.

We shall never accomplish the purposes we have in mind or get concrete results without agreement between us on a nontechnical, prompt, and broad approach to project changes by the field offices of both HHFA and FHA. All we get from you now is a series of unsupported assertions, recriminations, charges, and accusations aimed to establish on paper that you are cooperating with us.

This conclusion is fully proven by the very examples you give in your latest letter. It is silly to assert that Manhattantown is being held up because of delay in furnishing credit information. The fact is that meetings, negotiations, and discussions have been and are at present going on to settle the amount and everybody knows, including Mr. Schulz, that the holdup is in the amount. I understand that this is now at about the point of settlement.

Similarly, with respect to the Columbus Circle project, we know of no plan by the sponsor to sell his interest. We do know that because of the delays and holdups in FHA he is trying for conventional financing to avoid the problems you have created. However, it looks as though he must come back to FHA and we certainly want speedy action there.

Your prize package is the reference to University Towers where the redeveloper's trouble was that he appeared on your so-called gray list and could not get any consideration from FHA. How you convert this to an obstacle not of FHA's making, I don't know. At the present time we have arranged for a new redeveloper to take over Mr. Trump's obligations and he will immediately start processing with FHA. Why not help us there?

The net result of all these new obstructions, on top of an assurance of action and a schedule of definite dates, is that we are blocked again. There is no point in our prolonging the issue or trying to move ahead with any considerable program if, as Mr. Meistrell's letter indicates, your attitude is that technical and detailed procedural considerations must govern approval of these projects and that your new schedule means nothing.

I think you should tell us quite frankly whether it is your intention to adhere to such technicalities or whether you are willing to expedite minor changes. If your decision is that you can't meet reasonable schedules and can't control your own subordinates, we may just as well recognize the futility of trying to work with your people.

Sincerely,

ROBERT MOSES, *Chairman*

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*Randall's Island, New York 35, N Y, October 25, 1955.*

HON ALBERT M COLE,

*Administrator, Housing and Home Finance Agency,  
Washington 25, D C*

DEAR ALBERT: Attached are three astonishing letters from your regional director of urban renewal with reference to title I projects in New York City, which we supposed from your positive assurances were going to be expedited.

To begin with, these letters are unfriendly in tone, are manifestly written for the record to justify further delays and indicate that your assistants propose to continue to be highly technical about these matters.

To the extent that changes are necessitated because they are required by FHA in connection with guaranties, these letters reflect again the fact that there is no coordination of efforts within your agency. This merry-go-round could go on forever with the FHA making demands and other officials of your agency asking that we justify these and even reduce the amount of writedown in the process.

As to further justification of certain other relatively small changes these are inevitable in any enterprise of such scope and we are immediately furnishing additional information to Mr. Horan. Here again we shall get nowhere if your people insist upon technical justification in detail and new reuse appraisals. If this rigamarole continues, months will be lost in the process. If you do not have enough confidence in us to go along with relatively minor changes, it is futile to suppose that any large program can be carried out while any of us is still in office.

We have also been doing considerable work on the meeting you suggested with bank and insurance executives. This is the subject of a separate letter. Under the present circumstances, however, if your agency's attitude is reflected in the letters of Mr. Horan, I can see no purpose in arranging such a

meeting and wasting the time of the Secretary of the Treasury and other busy people on a program which seems headed for another stalemate.

May I ask you to notify us promptly as to whether these letters from Mr. Horan have your approval and whether their provocative tone and promise of further technicalities reflect your attitude.

It was my impression at the Corlears Hook ceremony on Saturday that we were at the beginning of a new era. Apparently this is not a fact if these letters from Mr. Horan have your approval

Sincerely,

ROBERT MOSES, *Chairman.*

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE REGIONAL ADMINISTRATOR, REGION I,  
*New York 13, N. Y., October 21, 1955.*

Mr. ROBERT MOSES,

*Chairman, Office of Committee on Slum Clearance,  
Randall's Island, New York 35, N. Y.*

DEAR MR. MOSES: We acknowledge receipt of the proposed amendment of the redevelopment plan for the Fort Greene project. This carries out the changes which the city felt were necessary to effectuate the building of the Kingsview Homes and to which we previously gave conditional approval.

We note that the board of estimate approved the change in this plan. However, the board of estimate's action applied the changed controls to the University Towers portion of the project as well as to Kingsview Homes but without our prior consent as required by the contract between the city and the Federal Government. We are, therefore, uninformed as to why the changed conditions or controls are required for University Towers. Under these circumstances, complete justification for the proposed amendment should be furnished so that we can act on your submission. We should also like to be advised whether the amendment pending with us is likely to be the final change in this project or whether some further change may be requested when a construction plan is developed. Any further liberalization of the conditions of the contract might well require consideration of additional compensation by the redeveloper to the project. If such a possibility seems likely, we suggest that the redeveloper be advised of the desirability of settling this question before proceeding with construction plans.

We assure you of our desire to work jointly with you toward achieving early initiation of construction on the University Towers portion of this project.

Sincerely yours,

CHARLES J. HORAN,  
*Regional Director of Urban Renewal*

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE REGIONAL ADMINISTRATOR, REGION I,  
*New York 13, N. Y., October 21, 1955*

Mr. ROBERT MOSES,

*Chairman, Office of Committee on Slum Clearance,  
Randall's Island, New York 35, N. Y.*

DEAR MR. MOSES: We wish to acknowledge receipt of the proposed redevelopment plan for the Pratt Institute project, No. UR N. Y. 4-13.

Your submission does not indicate why a change in the redevelopment plan, with respect to density and coverage, is necessary, and we would appreciate information on that point before we consider your proposal. Also, we think that every effort should be made to develop feasible construction plans within the present redevelopment plan before a revision is considered. We suggest such a thorough examination before launching into a revision of the redevelopment plan, particularly in view of the changes contained in the Housing Amendments of 1955, which substitute the term "estimated replacement cost" for the former term "estimated value."

A revision of the redevelopment plan would necessarily require considerable time to obtain approval by the various city agencies as required by law. It will also involve an amendment of the redeveloper's contract and consideration of whether there are additional benefits to the redeveloper for which the project should receive additional compensation from such redeveloper. If so, both the local and Federal subsidies would be reduced. Hence, this is a matter of important concern to both the city and the Federal Government.

If it is agreed that the redevelopment plan should be changed in terms of density and coverage, thus requiring reconsideration of the price paid for the land, then two additional reuse appraisals would be required. In that case, we would want to discuss with you the appraisal method to be used.

We assure you of our desire to work jointly toward achieving early initiation of construction on this project.

Sincerely yours,

CHARLES J. HORAN,  
*Regional Director of Urban Renewal.*

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE REGIONAL ADMINISTRATOR, REGION I,  
*New York 13, N. Y., October 21, 1955.*

Mr ROBERT MOSES,  
*Chairman, Office of Committee on Slum Clearance,  
Randall's Island, New York 35, N. Y.*

DEAR MR. MOSES: We wish to acknowledge receipt of the proposed redevelopment plan for the Harlem project, No. UR N. Y. 4-5.

Your submission does not indicate why a change in the redevelopment plan, with respect to density and coverage, is necessary, and we would appreciate information on that point before we consider your proposal. Also, we think that every effort should be made to develop feasible construction plans within the present redevelopment plan before a revision is considered. We suggest such a thorough examination before launching into a revision of the redevelopment plan, particularly in view of the changes contained in the Housing Amendments of 1955, which substitute the term "estimated replacement cost" for the former term "estimated value."

A revision of the redevelopment plan would necessarily require considerable time to obtain approval by the various city agencies as required by law. It will also involve an amendment of the redeveloper's contract and consideration of whether there are additional benefits to the redeveloper for which the project should receive additional compensation from such redeveloper. If so, both the local and Federal subsidies would be reduced. Hence, this is a matter of important concern to both the city and the Federal Government.

If it is agreed that the redevelopment plan should be changed in terms of density and coverage, thus requiring reconsideration of the price paid for the land, then two additional reuse appraisals would be required. In that case, we want to discuss with you the appraisal method to be used.

We assure you of our desire to work jointly toward achieving early initiation of construction on this project.

Sincerely yours,

CHARLES J. HORAN,  
*Regional Director of Urban Renewal.*

CITY OF NEW YORK,  
OFFICE OF COMMITTEE ON SLUM CLEARANCE,  
*Randall's Island, New York 35, N. Y., November 10, 1955.*

Hon ALBERT M. COLE,  
*Administrator, Housing and Home Finance Agency,  
Washington 25, D. C.*

DEAR MR. COLE: With respect to the proposed meeting with top bankers and insurance executives here and with the Secretary of the Treasury, the Comptroller General and the State Superintendents of Insurance and Banking, please bear in mind that:

1. There is no point in holding such a meeting or attempting to expedite an enlarged program through cooperation from these groups, unless we can honestly say that our program in New York City is moving rapidly and that we have substantial agreement of processing.

2. The Secretary of the Treasury should not be asked to attend such a meeting personally if we must say at the meeting that the program is not moving and is likely to bog down in endless wrangling over details.

Sincerely,

ROBERT MOSES, *Chairman.*

(The following data were subsequently submitted to the subcommittee:)

STATE OF NEW YORK, EXECUTIVE DEPARTMENT,  
DIVISION OF HOUSING,  
New York 7, N. Y., October 7, 1955.

Mr JOHN BARRIERE,  
Subcommittee on Housing,  
House Committee on Banking and Currency,  
House Office Building, Washington, D. C.

DEAR MR BARRIERE: It has been reported to me that at yesterday's hearings of your subcommittee in New York, the question of housing for single persons, was discussed. I understand that one of the witnesses was of the opinion that the New York State public-housing program provided apartments for single persons but based eligibility on income without considering the age factor. I would like to call the attention of the committee to the fact that this statement is not correct.

The New York State program has always made provision for single-person apartments, eligibility depending, among other things, on age. At present occupancy of these units is limited to persons 50 years or older. In addition to these apartments, the State has a program of housing for the aged, both couples and single persons. These apartments are especially designed and equipped to meet the needs of advancing years. The age of 65 is considered "aged."

I would appreciate it if you would correct the record to reflect the above.  
Sincerely yours,

JOSEPH P. McMURRAY, Commissioner

MANHATTAN TENANTS WELFARE AND CONSUMER COUNCILS,  
New York, N. Y., October 21, 1955.

ROBERT R. POSTON,  
Chief Counsel, House of Representatives,  
Subcommittee on Housing of the Committee on  
Banking and Currency, Washington, D. C.

DEAR MR. POSTON: In reply to your letter of September 26 we hope that in the future your committee will hold hearings in New York City with more time allowed for tenants and organizations to testify. However, even during the brief hearings held this month some of the facts regarding the problems and abuses of relocation were presented, especially by the Citizens' Housing and Planning Council.

May we submit as our testimony the enclosed copies of a fact sheet on Title I—Urban Redevelopment, entitled "Slum Clearance or People Clearance?" which was issued by the Manhattan Tenant Councils in June 1955. This report is based on extensive research and on personal contact with the tenants on title I sites. Enclosed are copies sufficient for each member of the committee.

May we also call your attention to a phrase in a June 1955 report by the Mayor's Committee for Better Housing of the City of New York. This report on relocation problems suggests that the urban redevelopment program be continued and expanded, "but only when the families which must be displaced can be properly relocated in satisfactory housing."

We feel that it is the responsibility of your committee before it approves continuance and expansion of the urban redevelopment program in New York to investigate the claims of many responsible civic and housing organizations that adequate relocation is impossible in the present housing shortage.

We hope that your committee will recommend legislation which will produce better housing, not "people clearance" for New York.

Very truly yours,

(Mrs.) ESTELLE QUIN,  
Executive Secretary.

SLUM CLEARANCE OR PEOPLE CLEARANCE?

(Fact Sheet on Title I—Urban Redevelopment)

What is Title I?

Under title I of the National Housing Act of 1949, the city buys slum property and sells the land to private developers at a substantial loss. The private re-

developers then clear the land and build private housing renting for \$30 to \$50 per room, or cooperative apartments renting for \$17 to \$22 per room with a downpayment of \$450 to \$625 per room, or commercial or institutional buildings. The Federal Government repays the city for two-thirds of the resale loss, and the city pays the remaining one-third. The cost of 17 title I projects in New York City now approved or under study is \$93,287,951 to the Federal Government and \$46,594,975 to New York City.

#### *Who lives on title I sites?*

1 Approximately 50,000 families (about 200,000 persons) live on 17 sites. The Committee on Slum Clearance estimates 24,482 but their figures do not include thousands living in furnished rooms or roominghouses. Three-quarters of the families earn under \$3,500 per year and pay rents averaging \$32 per month.

2 About 50 percent of the families are Negro and Puerto Rican. In the first seven projects approved 45 percent of the tenants were Negro. On the Harlem and North Harlem sites almost all of the tenants are Negro. On the Morning-side-Manhattanville site 16 percent are Puerto Rican; at West Park 34 percent are Puerto Rican, and on the proposed Lincoln Square site there are a large number of Puerto Rican families.

3 The tenants live in these areas because: (a) Many sites are old, established neighborhoods of 30 to 50 years; (b) the sites are convenient for traveling to work; (c) rents are low; (d) many of the apartments are large (3 to 5 rooms), and many have elevators, steam heat, hot water, and other modern conveniences.

#### *What happens to the site tenants?*

1 The tenants move to other overcrowded neighborhoods and more slums are thus created. Warren Moscow, executive director of the New York City Housing Authority, sees the future of New York City as follows: Manhattan will become a business and management center with only high-rent housing, and slums may increase in the other boroughs (CBS Radio, Let's Find Out, April 24, 1955).

2 Tenants must pay double and triple rents to find other apartments. Families double up with relatives or move into furnished rooms.

3 Tenants in furnished rooms or roominghouses, including thousands of families with small children, are not legally entitled to any relocation.

4 Very few of the tenants are relocated into public housing and less than 5 percent can afford to move back into title I housing and pay \$120 to \$200 for 4 rooms. Only 1,646 of the 6,316 families "relocated" up to date have been admitted into public housing, because of unreasonably low-income ceilings and redtape restrictions on applicants.

5 Negro and Puerto Rican tenants face discrimination in seeking new housing and are forced into segregated areas such as Harlem, thus increasing overcrowding there.

6 Title I private redevelopers cut services and repairs while waiting for site tenants to move, creating unsafe and unhealthy living conditions. At the Harlem site, the builder cut off heat and hot water in the winter of 1954. Several fires and one fire death occurred when tenants tried to heat apartments with stoves.

7 During site clearance tenants are moved from apartment to apartment on the site.

#### *The fight for relocation*

1 When 9 title I projects were first proposed in 1951, the tenants on each site organized to oppose the projects and were immediately joined by civic, religious, and community organizations. In the Washington Square Gardens-South Village area where opposition was sold the projects were defeated. The Williamsburg proposal is now "inactive." Delancey Street was sent back for study but will be repropoed soon. The rents in the Morningside Heights cooperative project were lowered from \$23 per room rent plus \$600 per room downpayment to \$16 to \$22 plus \$450 per room. However, 5 of the original 9 projects were approved by the city planning commission and the board of estimate.

2 At a public hearing before the board of estimate in May 1952, the following organizations and persons opposed three of the projects and warned that the site tenants could not be adequately relocated: New York State Committee Against Discrimination in Housing, NAACP, Citizens Housing and Planning Council, United Neighborhood Houses, ADA, Citizens Committee on Children, Friendship House, Citizens Union, American Jewish Committee, West Side Committee To Save Our Homes, Harlem and Manhattan Tenant Councils, East Harlem Council for Community Planning, New York City CIO Council, Metropolitan Committee on Planning, and Councilman Stanley Isaacs (Amsterdam News, May 31, 1952).

3. On December 16, 1953, the following organizations wired the board of estimate to delay voting on several new title I projects until the release of the city planning commission's long-disputed report on relocation: American Association of Social Workers, American Jewish Congress, NAACP, American Veterans' Committee, ADA, Citizens' Housing and Planning Council, Cultural Relations Council of Congregational Christian Churches, Episcopal Christian Social Relations Department, Protestant Council of New York, New York State Committee Against Discrimination in Housing, United Neighborhood Houses, Women's City Club (New York Post, December 17, 1953).

The city planning commission's report, not released until January 20, 1954, revealed some of the hardship and chaos of title I relocation, but the board of estimate approved new title I projects.

4. Surveys by the Women's City Club, Friendship House (a Catholic center in Harlem), and several newspapers (including the New York Times, the World-Telegram and Sun, and the New York Post) exposed relocation abuses. A congressional investigation into housing "windfalls" in 1954 revealed that delays in relocation had netted the builders of West Park a profit of \$649,215 in 2 years on condemned buildings.

5. Many prominent persons attacked the relocation muddle, including Congressman Adam Clayton Powell, Jr., Councilman Stanley J. Isaacs, Nathan Straus (ex-Administrator of the U. S. Housing Authority), Dr. Robert C. Weaver (deputy New York State housing commissioner), and Leo Goodman (ex-Director, National CIO housing committee). Councilman Earl Brown introduced a resolution into the city council asking for an investigation of title I relocation. And Charles Abrams, New York State rent administrator, summed it all up in his statement, "Slum clearance does nothing that cannot be more efficiently accomplished by an earthquake."

*What is the solution to the relocation problem?*

Harris Present, chairman of the citywide committee on relocation problems, says that if title I forces "great numbers to relocate halt it" (World-Telegram and Sun, May 10, 1955).

Ethel E. Wortis, president of the Women's City Club of New York, wrote: "Before continuing its redevelopment program, the city should assure sufficient low-rent accommodations for persons being displaced, either in existing housing or in additional low-rent quarters to be constructed" (New York Times, April 14, 1954).

Ira S. Robbins, executive vice president of the Citizens' Housing and Planning Council of New York, wrote: "Slum clearance displaces low- and middle-income families. \* \* \* It will be manifestly impossible to continue the title I program without additional public housing" (New York Times, April 3, 1954).

1. Title I does not meet the needs of the low- and middle-income families which it displaces. The city planning commission estimates that a minimum of 40,000 to 44,000 new apartments per year (mostly low and moderate rent) are needed in New York City. This is the minimum to house: (a) families displaced by title I projects; (b) families displaced by necessary public construction (highways, schools, hospitals, bridge and tunnel approaches); (c) families who must move from apartments with serious housing violations; (d) newly married couples; (e) the general increase in population.

2. The New York City Housing Authority has certified to the Federal Government that 330,000 families face relocation in 1955-57.

3. Only 5,446 public housing units were built in New York City in 1954, all low-income. In 1955, 5,695 units have been completed so far and 6,474 are under construction in the Federal low-income housing program, and the State plans to build 3,900 low-income units. The city middle-income program plans 2,144 units. Thus, in 1955, a total of 18,213 public-housing units may be built. Private housing builds almost no low- or moderate-rent housing in New York City.

4. Relocation is impossible without adequate construction of low- and moderate-rent housing. All "slum clearance" under title I should be deferred until thousands of low- and middle-income public housing units are constructed in New York City, mostly on vacant land. Raised income ceilings and absolute priority for site tenants would enable them to move back in to public housing, where relocation is necessary.

When will New York City have a program to build 40,000 public-housing units per year? Until then, the title I urban redevelopment program will be "people clearance," not "slum clearance."

(Issued by Manhattan Tenant Councils, 306 Lenox Avenue, June 1955.)



*Title I projects*<sup>1</sup>

Name	Boundaries	When proposed	Present stage
1 Corlears Hook....	Lewis St, Williamsburg Bridge, FDR Dr, Cherry and Jackson Sts	January 1951....	Under construction
2 Harlem.....	Lenox to 5th Ave., West 132d to West 135th Sts.	.....do.....	Partially cleared.
3. North Harlem.....	Lenox to 5th Ave, West 139th to West 142d Sts.	.....do.....	Do.
4. West Park.....	Central Park West to Amsterdam, West 97th to West 100th Sts.	September 1951....	Do.
5. Morningside-Manhattanville.	Broadway to Amsterdam, LaSalle St. to West 123d St.	November 1951..	Do.
6. Coliseum.....	CPW and Columbus Circle to Columbus Ave, West 58th to 60th Sts	December 1952..	Under construction
7. Fort Greene (Brooklyn)	Flatbush Ave Extended, Fort Greene Park, Myrtle, DeKalb Aves	.....do.....	Partially cleared.
8. Pratt Institute (Brooklyn).	Lafayette Ave, St James Pl, Hall St, Myrtle Ave, Emerson Pl., Willoughby, Classon Ave	July 1953.....	Do.
9 Washington Sq Southwest.	Washington Sq South, West 4th St, West Broadway, West Houston, Mercer Sts.	August 1953.....	Clearance delayed by court action.
10. NYU-Bellevue....	1st to 2d Aves, East 30th to East 33d Sts....	November 1953..	Clearance beginning
11. Seaside-Rockaway (Queens)	Rockaway Parkway to Shore Front Parkway, Beach 102d to 108th Sts.	October 1954....	Under study by slum clearance committee, to be resubmitted soon.
12. Delancey St.....	Delancey, East Houston, Allen Sts., Forsythe St.	Under study by SCC, will be submitted soon.	
13. Seward Park.....	Grand St, East Broadway, Essex.....	Do.	
14. Park Row.....	Park Row, New Bowery, St. James Pl., Pearl, New Chambers Sts	Do.	
15 Lincoln Sq.....	Broadway to Amsterdam, West 60th to 64th Sts., Broadway to West End, West 64th to 69th Sts	Do.	
16. Hammels (Queens)	Rockaway Beach Blvd, Shore Front Parkway, Beach 74th to 90th Sts	Do.	
17 Plaza (Queens)....	Jackson Ave, Bridge Plaza South, Crescent St	Do.	

<sup>1</sup> In Manhattan unless noted otherwise.

Tenants <sup>2</sup> displaced	Proposed construction	Cost to city and Federal Governments
873.....	1,668 cooperative apartments, \$17 per room rent, \$625 per room downpayment..	\$3,000,810
1,998.....	1,100 private apartments, \$30 per room rent.....	1,500,405
1,179.....	1,300 co-op apartments, \$20 per room rent, \$450 per room downpayment.....	3,766,024
3,613.....	2,560 apartments, co-op, \$21 per room rent, \$625 per room downpayment; private \$30 50 per room rent	1,883,012
1,522.....	981 co-op apartments, \$16 to \$22 per room rent, \$450 per room downpayment...	2,729,258
2,430.....	528 apartments, \$50 per room rent; Coliseum and offices.....	1,364,629
464.....	588 private apartments, \$34 per room rent, 275 co-op apartments, \$21 per room rent, plus downpayment, additions to Long Island University, and Brooklyn Hospital.	10,703,084
1,199.....	1,736 apartments, \$28 to \$36 per room rent, 18 5 acres to Pratt Institute.....	5,352,542
132.....	2,016 apartments, \$48 per room rent, 3 acres to New York University.....	3,026,935
1,366.....	840 apartments, \$31 per room rent.....	1,513,467
749.....	1,500 apartments, \$35 per room rent, plus garages and stores.....	5,900,000
1,569.....	1,180 apartments, no estimate on rents.....	2,900,000
1,349.....	1,500 apartments, no estimate on rents.....	2,764,603
519.....	1,000 apartments, no estimate on rents.....	1,377,301
5,204.....	3,000 apartments, \$35 to \$50 per room rent, hotel, fashion center, Engineering Society Bldg., Fordham University buildings.....	6,117,031
2,684.....	4,000 apartments, no estimate on rents.....	3,058,516
179.....	No housing, all commercial construction.....	8,250,206
		4,125,103
		1,140,000
		2,070,000
		2,600,000
		1,300,000
		6,000,000
		3,000,000
		6,000,000
		3,000,000
		4,000,000
		2,000,000
		18,500,000
		9,250,000
		4,000,000
		2,000,000
		1,800,000
		900,000

<sup>2</sup>Not including furnished room tenants

NEW YORK, N. Y., September 30, 1955.

SUBCOMMITTEE ON HOUSING, COMMITTEE ON BANKING AND CURRENCY,  
House of Representatives,  
Washington, D.C.

(Attention Mr. Robert Poston.)

GENTLEMEN In accordance with your letter of September 12, I hereby submit a written statement suggesting a measure which, I believe, is essential in meeting the problem of the shortage of multifamily housing in New York City.

I am also enclosing a reprint of a recently published article of mine entitled "You Don't Know Why We Have a Housing Shortage," which examines each of the popular explanations for the housing shortage, and which I would like to have considered as part of my statement.

A publicly sponsored investigation, by trained professional economists, is needed to determine why the New York City housing shortage has continued long after all other wartime shortages have disappeared.

Among the paradoxes involved in the shortage are the fact that the city's population had a smaller net growth between 1940 and 1950 than in any similar period since the Civil War (because outmigration to the suburbs more than balances immigration, which was not true in the past), that new transportation facilities and other factors have substantially increased the amount of land suitable for housing since the 1920's; and that high postwar costs have not meant continued shortages in any major industry, including even construction, outside of rental housing. The situation is thus a collection of paradoxes.

The housing headache has persisted long enough. It's time to call in the economic doctors.

Respectfully yours,

SIMEON H. F. GOLDSTEIN.

YOU DON'T KNOW WHY WE HAVE A HOUSING SHORTAGE

(By Simeon H. F. Goldstein)

(Mr. Goldstein's housing background includes the chairmanship of the multiple dwelling law committee of Citizens Housing & Planning Council, Inc., and service from 1947 to 1952 as housing chairman of the American Legion, Bronx County. However, the views expressed in this article are his own and do not necessarily represent those of either of these organizations)

So, you can't find an apartment at a fair rent. Your landlord doesn't give you the service to which you are entitled, but you can't do anything about it—because "Where can you move?"

Why? Why does New York City have a housing shortage? Why is housing the only one of the postwar shortages which continues?

After all, the Bible tells us that, when the Lord sent Pharoah a dream to warn him that he would afflict the Egyptians, it was only with "7 lean years." New York City apartment hunters have had not 7—but 10—"lean years," since V-J Day.

Is there any hope for improvement? If you are sick, you can't hope for improvement until a correct diagnosis of what is behind your pains (or other symptoms) has been accomplished. The same is true of economic ailments

This article will, therefore, examine the various common explanations for the housing shortage. As we will see, none of them really explains this condition, and some of them do just the opposite, that is they make the fact that the shortage continues even more remarkable

We will then offer a method by which the community could find out why we still have a housing shortage

Is it the Puerto Ricans? Actually, no

In the old days, movement of people to New York City was largely a one-way proposition. In recent years, however, more people have been leaving the city than moving into it, largely because of the trend to the suburbs.

Below are the United States Census figures for the population of New York City, from the first census to the most recent one

1790.....	49, 491	1880.....	1, 911, 698
1800.....	79, 216	1890.....	2, 507, 414
1810.....	119, 734	1900.....	3, 437, 202
1820.....	152, 056	1910.....	4, 766, 883
1830.....	242, 278	1920.....	5, 620, 048
1840.....	391, 114	1930.....	6, 930, 446
1850.....	696, 115	1940.....	7, 454, 995
1860.....	1, 174, 779	1950.....	7, 891, 957
1870.....	1, 478, 103		

Using these figures you will find that the net population increase between 1940 and the most recent census was the smallest for any period since the one from 1860 to 1870. If you should calculate the increase as a percentage of the population at the beginning of the period, you will come up with the startling fact that in the last decade our city had its smallest percentage increase in population since the first census—less than 6 percent.

Moreover, it is common knowledge that many new arrivals from Puerto Rico dwell under dreadfully overcrowded conditions, with entire families living in a single room, and thus occupying only a fraction of the space formerly used by those whom they replaced.

Is it because the Government has neglected the housing shortage? Hardly. The Federal, State, and city governments have each done more to meet the housing shortage than was done to meet any of the other postwar shortages

The following figures, obtained from the United States Bureau of Labor Statistics and the New York City Housing Authority, indicate that if Government neglect were the reason for the housing shortage, New York City would have the smallest shortage in the country.

State-aided and city-aided public housing units started, 1946-53)

	<i>Units started</i>
State-aided public housing in New York City.....	25, 212
City-aided public housing in New York City.....	21, 672
<b>Total.....</b>	<b>46, 884</b>
State-aided and city-aided public housing in the other 47 States plus upstate New York.....	44, 216

Is there something wrong with the construction industry? Could be—but that is not the reason for the shortage. Federal Government figures show that, in the country as a whole, the construction industry has started more housing units in each year since 1950 than it did in any year before that time. In New York City, however, the number of housing units started in each of the last few years (including our huge public housing program) has been less than half of what it was in the worst year of the 1920's.

While many believe that construction costs would be reduced if mass production of housing replaced the activities of the smaller operators, and if other alleged wastes were eliminated, actually, since World War II large-scale builders have been playing a much more important role than they did when there was plenty of housing, and more attention has been given to improvements in the building code.

Another thing to be explained by those who would place the blame on the construction industry is the fact that, even in New York City, it has provided enough buildings for virtually all other purposes than housing, e. g., stores, offices, and factories.

Is there a shortage of land on which to build new housing? There is no shortage of land in the city as a whole (although there may be a scarcity of land in a few of the "swankiest" parts of Manhattan). The amount of land within commuting distance of places of employment has actually increased since the 1920's (when we had our last building boom). This is due to the opening of the IND Subway, the Dyre Avenue line, the extension of other subway lines, and additional bus lines, as well as the growth of manufacturing areas on the city's outskirts.

A study by the city planning commission in 1953 found 22,400 acres of vacant land in New York City suitable for residential development, plus over 10,000 acres of "underutilized" land now in private golf courses, racetracks, etc. This suggests that while there may be a shortage of vacant land some day, that day is not here yet. (While overcrowding is bad, there are also areas where existing buildings could be replaced with new ones containing a greater number of dwelling units without creating unwholesome conditions.)

Isn't the shortage due to the increase in construction costs? That can best be answered with a question, "What costs have not gone up?" Essentials, such as food, as well as nonessential; goods which last a long time, as well as those which are consumed quickly; all have gone up substantially in cost. But in very few other fields, if any, have higher costs resulted in a prolonged shortage comparable to this city's housing problem—not even in the construction industry itself, outside of housing. Therefore, we must look elsewhere than the increase in construction costs to find the reason for the shortage.

Aren't rents in new buildings beyond the means of the average family? Indeed, they are, but that is not something peculiar to our time. New housing cost too much for the average family in the 1930's and in most of the 1920's, but we had no shortage then. The rents of \$20 to \$25 per room, commonly charged in new apartments outside of Manhattan during the 1930's, were at least as expensive in terms of incomes and the cost of living prevailing at that time, as are rents for new apartments today. But, in those years, that did not concern the average family, because there were vacant apartments to be had in buildings which were not new. Today there are very few vacancies outside of new buildings. That is the problem.

Is there any "official" reason for the housing shortage? In a sense there is. The first semiannual report of the present State Rent Administrator, Charles Abrams, contains an "explanation" which is as enlightening as it would be to explain that the reason why a man died is because his heart stopped beating. This report predicts that the shortage will not be over by 1957 and states that "this is due to a series of factors not the least of which are the following: First. The failure of private enterprise to supply enough housing for the people's needs, particularly for those of lower incomes." Not a word is given to consideration of why private enterprise has not built housing.

The remarkable document gives as the second factor in the housing shortage, "the continued immigration of minority groups into a number of cities." We have explained above that there has been more "outmigration" than "immigration."

The third and last part of this "official" explanation is "Continued demolition through public housing, urban redevelopment, public works and private housing with only a fractional number of new homes available for those displaced, for new family formation, for new migrants and for others of low or moderate

income." Actually, for generations, buildings have been demolished in New York City to make room both for public improvements and for new housing, and more than ample housing was built by private enterprise to make up for the loss. Incidentally, the reference to public housing is especially erroneous. The overall program of the New York City Housing Authority, which is a matter of public record, has involved the construction of far more housing than it has demolished (even though that was not the case in some individual projects, built on land previously overcrowded). Moreover, public housing is available only to those of "low or moderate income."

What should be done? Even the patent-medicine manufacturers advise that if a headache persists one should call a doctor. The housing headache has persisted long enough. It's time to call in the economic doctors.

There should be a publicly financed investigation, by trained professional economists, to determine why the housing shortage persists.

In view of the suffering resulting from the housing shortage—as well as the potential tax revenue which is lost because we have so little housing construction by private enterprise—such an investigation would be a bargain even if it costs millions of dollars. Actually, if run efficiently the cost would be quite moderate.

If the investigation required \$100,000, and resulted in the building of a mere 500 additional apartments, assessed at \$10,000 each, the additional real-estate taxes (at \$4 per \$100) would pay for the study and yield a \$100,000 cash "profit."

"Five or 10 years hence," Mayor Wagner recently predicted, the city will have "adequate and proper housing for all levels of income." That will be a tragic piece of mere wishful thinking, unless we obtain a professional "diagnosis" of the economic sickness known as the housing shortage.

OCTOBER 28, 1955.

HON ALBERT RAINS,

*Chairman, Congressional Subcommittee on Housing,*

*Washington, D. C.*

MY DEAR CONGRESSMAN RAINS: First of all I want to take this opportunity to thank you and your committee for the courtesy extended to me during your New York City visit. I feel sure that much will be accomplished as a result of these hearings that will prove beneficial to all concerned. I was particularly impressed by the interest and diligence of the committee, all members attending every hearing and displaying a keen desire to be helpful.

You were generous enough to state that suggestions submitted to the committee by myself would be helpful in forming the recommendations it would submit to Congress.

In addition to those orally submitted in my testimony, I have only 3 items to add which, in light of my experience of 35 years in the real estate and construction business, I regard as important and vital to the success of the entire slum-clearance program.

First Liberalize public-housing requirements for site tenants of slum-clearance projects. The biggest bottleneck in slum-clearance programs is relocation. While site tenants have a priority for public-housing apartments, eligibility is determined by the Authority based on rigid and onerous requirements and many families are consequently denied admission. In the case of North Harlem, less than 20 percent of the site tenants proved eligible. There must be something wrong with this system which eliminates more than 80 percent of the slum dwellers from public housing. While I realize that only partial control of this situation can be exercised by Congress, a recommendation to the housing authority by your committee would bear great weight not only in that phase of the plan that is federally assisted but also on the balance of the program. I urge in the strongest possible terms that immediate and serious consideration be given to this phase of the relocation problem.

Second. Instruct the FHA Commissioner to use the 40-year level annuity amortization method for 220 projects.

Although the Housing Acts of 1954 and 1955 permit the Commissioner to set the rate and method of amortization payments on all multifamily rental projects and although the above-described amortization payment method is used in 213 projects our requests for this method were ultimately denied. Commissioner Mason and his staff have on more than one occasion indicated a willingness to accept this plan but when it came to carrying out this promise it was not forth-

coming. Vague references to the reduction of the Government's risk were used as an excuse for this denial. A compromise, if it can be so termed, was offered; in order to eliminate further delays I accepted something much less than had been asked for. At the same time, I stated that I was still going to press for my original request. You and your committee can readily understand how a reduction in the debt services charge will result in a direct reduction in the required rent for the proposed new project. The 40-year level annuity method sets an amortization rate of approximately 1 percent of the mortgage amount; the method set up the first 220 commitments established an initial amortization rate of 17 percent and this rate rises monthly in direct proportion to the mortgage reduction. I have calculated that this situation will result in an additional rental charge of approximately \$5 per month per living unit. This additional rental charge is totally unnecessary and contrary to the objectives and principles of the entire slum-clearance program. You will, I am sure, need no reminder that this program contemplates the construction of high-rise fireproof buildings where the actual depreciation and obsolescence rates are negligible; the New York City Housing Authority figures a 50-year life for identical buildings.

FHA now grants the amortization method asked for to 213 projects regardless of the nature of the construction and in many cases this is 2-story, 3-story, and 6-story nonfireproof buildings. In the small-home program FHA grants a 36-year mortgage to frame dwellings. Why a 220 project is not entitled to the most liberal financing terms available is beyond my comprehension since there evidently is a basis for the 40-year level annuity plan in all types of construction under the 213 program. Certainly fireproof construction in a 220 program should be entitled to at least equal consideration with interior construction.

#### Third. Architects' fees.

Although the Housing Act as amended permits an architect's fee of 3 percent, and despite the fact that at one time 5-percent fees were allowed, and ignoring the fact that all costs must be certified at the conclusion of the job, FHA has limited the potential architect's fee (prior to cost certification) to 1½ percent. Because of the involved nature of this entire program requiring approvals from a host of city agencies, HHFA and FHA, the planning period for this type of project is extremely lengthy. Architects, like everyone else must receive payments and be permitted a profit. Consequently all sponsors should be allowed a maximum architect's fee of 3 percent; in view of cost certification the final result will be that only those fees actually dispersed will become part of the FHA mortgage.

The above are the major points that occurred to me. The Development Builders of New York, an association of title I sponsors, may have other recommendations which would represent a cross-section of the problems 220 sponsors are currently facing. I sincerely trust that you will carefully weigh any recommendations made by this group.

Thank you very much for the opportunity of submitting my view.

Very truly yours,

BERNARD M AXELROD

P S. We are going to break ground in the Delano Village very soon. I am planning no special ceremony for that occasion, nor when we lay the cornerstone, but when we dedicate these buildings, which will be in about 16 months, I am hoping you and your committee will find it possible to be present, and I have every intention of inviting you.

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## OUR CHANGING CITY

*Twenty articles on the social and economic shifts that have reshaped the face of New York*

(Reprinted from the New York Times)

#### ABOUT THESE ARTICLES

The 20 articles reprinted here tell the story of the changes that have taken place in New York City and its suburbs in the past 25 years

Telling that story was a big job, because the city is big, the changes and shifts widespread, their effects far-reaching. It took 20 reporters to tell it adequately, district by district throughout the sprawling metropolitan area. It called for

careful planning by editors. It meant assembling, studying, and evaluating mountains of statistical data before a word could be written.

The result is a series of articles thoughtful and thorough, factual, yet human. Written by experts working as a team, articles like these give readers of the *New York Times* the kind of reporting in depth that lends meaning and understanding to the news.

#### OUR CHANGING CITY

### Social and Economic Shifts Reshape New York's Face

By Meyer Berger

New York strained almost to bursting between 1930 and 1955, the tensest quarter century in her 302 municipal years.

In that period, though, she struggled out of black depression's pit to her greatest population lead and painfully let out her stays to prevent utter traffic strangulation.

She tore down more slums in those 25 years than in any other quarter century in her history; replaced them with airier housing set in green playgrounds and doubled her park space.

Throughout the twenties she had been on a municipal binge. She had built and overexpanded crazily. Her newest skyscrapers—the Chrysler and the Empire State—had been aimed impudently nearer heaven, like Babel's Tower.

Then came the most numbing shock of her existence. Wall Street fell, and the city lay almost mortally hurt through the early thirties. Starved hordes from all over the Nation swarmed to her miserably to dig into waste barrels and to beg aid.

When Rockefeller Center went up in the early 1930's, new hope came to the city, and she struggled to her feet. In this resurgence sobered men no longer reached for the skies. The RCA tower stopped at 70 stories. Builders understood now that superskyscrapers, architectural mastodons, were too easily trapped in economic bogs.

Builders, their fingers burnt, have maintained that restraint. They have built briskly, but their most ambitious work since Rockefeller Center, the Socony-Mobil structure at Lexington Avenue and 42d Street, reaches only 42 stories. Incidentally, the greater part of new construction is in midtown, tending eastward.

With the end of the depression, New York began to go for color in her skyscrapers, as in the McGraw-Hill Building. The tendency now is more and more toward pastel shades instead of the ghostly bone white, toward much more glass, clear or colored, and toward aluminum and steel facing.

But the city finds itself, in midcentury, almost at the end of her land resources. Doleful prophets had said in 1855 that she would be muscle-bound within 3 decades: that 2 million souls would by then have sprawled over her space to the last lot. This was before the skyscraper, the elevator, and rapid transit.

The city passed the 2 million mark in 1890, without heavy breathing. By 1930 it had 6,390,000. Today it counts more than 8 million.

But the end now seems not too far—somewhat around 1975, or, at most optimistic measure, the year 2000. For within her 319 square miles New York is down to 31,000 remaining acres of unused residential space.

Of these, 18,400 are on Staten Island awaiting the day when New York can stretch a transportation arm—bridge or tunnel—out to her, to supplement the ferries. Queens is down to 5,600 spare acres. Brooklyn has roughly half that, while the Bronx has only 3,100 left.

Manhattan is about used up. Its unused 400 acres are almost all in small lot units.

#### FARMS IN THE METROPOLIS

Oddly, though, the city still has 268 farms—tracts of 3 acres or more—or around 1,451 acres, mostly in Queens and Richmond. Manhattan's last farm at 213th Street, west of Broadway, vanished 15 years ago.

In the last quarter century municipal surgeons have performed a series of operations to relieve the city's hardened traffic arteries. The arteries had to carry not only city dwellers, but a goodly number of dwellers in other parts of the metropolitan region.

In 1930 there were 11,642,000 souls massed in the metropolitan region. Today they number more than 15 million. Twenty-five years ago, the city contained 800,000 pleasure vehicles and trucks. Now there are 1,482,111, including 11,812 taxicabs. Each day around 500,000 to 600,000 cars pile into the 5-mile stretch between the Battery and Columbus Circle.

Some of the surgery that staved off complete traffic blockage in the last 25 years included widening of avenue arteries. Then the surgeons directed the flow one way in other avenues for quicker runoff. They dug the Lincoln, Queens-Midtown, and Brooklyn-Battery Tunnels as additional drains.

They designed \$400 million worth of marginal express highways to relieve the city's internal congestion. They gave her new traffic ribs—the George Washington, Triborough, and Bronx-Whitstone Bridges and got under her skin for the Sixth Avenue and Eighth Avenue subways. They reinforced her groaning older spans over the East River.

Such surgery continues, giving no rest to the patient. And, though the war had helped wipe out the last vestiges of economic depression, it had brought new tensions and fears—blackouts, threats of water shortage, and a delinquency rise.

#### TARGET—AND AWARE OF IT

The blinding advent of the atom age and the chilling duration of the cold war increased the city's unease. She was ringed, now, by supersensitive radar defenses. Her sirens hoarsely cleared their throats each day at noon, or called her populace to air-raid drills. She was painfully aware that among the cities of the world, she was prime target.

Civil defense patrols trod her pavements, skyscraper spotters tracked ocean-hopping and Nation-crossing aircraft as they slipped in ever-increasing fleets in and out of the city's newest airports—La Guardia and Idlewild—lest something hostile with wings be hidden among them. The jet's knifing cry cut into the city's sound pattern. Roof landings for helicopters atop the Port Authority Building confirmed the science-fiction writers' dream.

But the city adjusted patiently to these changes, and kept on with her building. It maintained its population growth, though not at the same accelerated rate as nearby suburban communities in Westchester, Bergen, Rockland, Fairfield, and other counties in this State, New Jersey, and Connecticut.

The trend of Gothamites toward more open countryside within easy commuting to the city accelerated around 1930. Within 8 years 170,821 persons moved out. It didn't seem to matter.

The city, though, slowly switching from bare incandescents to colored neon for outside lighting, still drew eager career seekers from the rest of the Nation—the moth and the flame principle.

So the city held its own, though the housekeeping cost kept stepping up. Within 25 years (1930-55) her household expenses—the budget—went from \$564,769,828 to \$1,733,086,577, mainly because she was trying to be a generous mother.

Through the housing authority, the city has torn down in the last 2 decades 1,200 slum acres in the 5 boroughs. She has replaced them with 81,662 airy apartments, mostly in the low-rent category. She has another 12,000 units building now and hopes to complete 21,000 more within the next 3 years.

Since the war, around 182,000 privately built dwelling units have replaced shabby structure in the city, a large part of them on Manhattan's East Side. The East River shore, generally—with the sweeping new motor roadway, the marginal park strips, the new housing, reflects, at a single glance, the greatest physical change.

The color scheme, broadly speaking, seems green and white, the buildings liberally faced with glass. The United Nations group, the Sutton and Beekman Place opulent groupings, Stuyvesant Town, Peter Cooper Village, new hospitals near the shore, all are clean and bright by day, jeweled palaces by night.

The city gave attention, too, in recent years, to her underprivileged in Spanish, Negro, and Italian Harlem. She has wiped out acres of rookeries between 99th and 135th Streets, has grimly marked more for oblivion. She has replaced them with 8,700 grass-fringed apartment units and is building another 6,000, cutting population density in the Harlem area.

This facelifting, though, only accents the blackened slum areas that huddle miserably, awaiting their day in the light. The city in mid-20th century still counts 462,000 dwelling units—about one-fifth its total—that are 50 years old, or older. Of these 330,000 are scabrous, substandard relics.



A halt to immigration has ended the clotting, within the city in the last 25 years, of nationalist groups. There has been a slow breakup, as of big ice floes, and a more rapid assimilation. The best example would be the lower East Side. New housing projects hurried the process there.

The same thing, pretty much, has happened in Harlem. Negro families, with improving job opportunities and antidiscrimination legislation, have seeped out of that area steadily. On the other hand, the Negro population has grown from 170,000 in 1930 to around 278,000 today.

Within the last quarter century the largest single migrational wave has been from Puerto Rico. These newest New Yorkers are mainly impoverished, struggling for footholds in the lowest jobs. There are 240,000 in Manhattan now, 130,000 in the Bronx, 105,000 in Brooklyn, 10,000 in Queens, fewer than 2,500 in Richmond.

The expatriate, back in town since the war's end, probably would be most astonished by Park and Madison Avenue changes. Up Murray Hill from 34th Street, march rows of bright new apartment houses and new office buildings. The Bacon mansion (old No. 1 Park) and the town houses of other wealthy families all have vanished from this stretch.

Upper Park, below 96th Street, is transformed. Its more lovely church edifices has been between 42d Street and the park—modernistic office buildings with terraced gardens have taken over the sites of the prewar mansions, and the trend keeps on at full tide.

West of Central Park, though, there has been some deterioration, owing mainly to the general drag eastward. Some bright new buildings have gone up between the Hudson and the Park, but only a few. The rest—the West End Avenue, Riverside Drive groupings—seem to hide morosely behind city soot.

#### CHANGES ON FIFTH AVENUE

Fifth Avenue, the Golden Row before World War I, has long since lost its mansions, its brownstone and marble look. The greatest change since the war has been between 42d Street and the Park—modernistic office buildings with haughty street-level shops and new banks, with frank, open faces stand in their stead. The double-decker bus has vanished from Fifth, too, and the street lighting is new.

Forty-second Street west of old Sixth—now the Avenue of the Americas—never got off its knees after the depression darkened its theaters. It went honky-tonk and has pretty much stayed that way. Times Square, except for changes in the spectacular signs, is little different, but has lost its election night and New Year's Eve crowds to radio and television.

And television, probably the greatest single postwar influence on social behavior, has reduced the number of legitimate theaters on and off Broadway. No new show houses have gone up in the old white-light district in 27 years; the last was the Barrymore in 1928. The Adelphi, Ambassador, Belasco, Biltmore, Hudson, International, and Mansfield—among others—are used for TV shooting now.

The returning absentee would be quick to notice the city's new sky silhouette—TV aerials bristling like hedgehog quills above the rooftops. Since the war TV has doomed the smaller fight clubs in the city. It is more comfortable and cheaper to see the fights at home, or in the neighborhood bar and grill. They are now standard groggery fixtures; appear in more polite oases, too.

Many landmarks have fallen in the last 25 years; no city destroys them more rapidly than New York. The Hippodrome is gone, the aquarium, Luna Park, the Center Theater, Ellis Island, the Murray Hill Hotel. Apartment houses have risen where the Brevoort and the Lafayette had grown old. The elevated railroad structures vanished within the last quarter century. The last, the Third Avenue line, is partly down. A corner of Chinatown is ready for the wreckers. The old World Building, even now, is being leveled for the new Brooklyn Bridge approach.

New York is a sentimental city; she would spare her relics if she could, but the 300-year-old lady must keep up with changing fashion or hang her head among cities. That she has never had to do.

Dressed for evening, with her billions of incandescent and varicolored neon gems, and her winking ruby beacons, she is more lovely than any of her urban sisters.

## OUR LOWER MANHATTAN AREA

New East Side Housing Provides Most of Difference in the Last 25 Years

(By Joseph C. Ingraham)

The oldest part of New York—from 14th Street southward—looks and is pretty much as it was 25 years ago with 1 spectacular exception.

The greatest structural and social change has been on the lower East Side where large-scale subsidized housing has wiped out 20 percent of the worst slums.

There have been lesser redevelopments of other sections of downtown Manhattan but the area has retained more of its characteristic features than most other parts of the sprawling city.

Coming up the harbor now, the eye is caught by the sweeping new drive that cabbies call "the horn"—the link between the marginal highways completed in the last 2 years. Heliports at pier A, North River, and pier 41, East River, supply the ultramodern touch.

Battery Park has been made over. The old Aquarium is being restored to its 1812 form, as Castle Clinton, a national monument.

The city's Arabic-speaking people, who for years clustered on Washington Street near the seawall, have been uprooted by the Brooklyn-Battery Tunnel, the city's newest underwater crossing. Whether by accident or design the Syrians, Lebanese, and Turks followed the twin tubes under the East River and have resettled mainly in downtown Brooklyn.

On the lower West Side, old docks and houses mostly are unchanged. A bit north and hard by the 28-year-old Holland Tunnel, the first vehicular tube under the Hudson, a hardy colony of first- and second-generation Italians still fights housing changes. Only a year ago they marshaled forces to defeat conversion of their bailiwick into another big housing development.

Since 1930 the Wall Street district has added only 2 skyscrapers and 7 modest office buildings, but it takes a fine eye to notice any change in its imposing skyline. A few other tall buildings have replaced loft and residential slums near the lower West Side tip, but for the most part the century-old pattern of light industrial plants and wholesale food markets in ancient settings has held its ground.

City Hall is getting its first facelifting in its 150-year history. Even the inferior brownstone back of the graceful structure is to be replaced. When the hall was built, the city fathers did not believe it was worth the extra cost to extend the marble slabs to the north side. They were sure that the city would not extend much farther north.

Wreckers have leveled the old Tombs and the redstone Criminal Courts Building. Adjacent ramshackle tenements fell, too. In their stead rose the civic center, an imposing but disorganized architectural cluster.

Just to the east, the Third Avenue el is down, and the rest of the 77-year-old line in Manhattan will be demolished soon. Brooklyn Bridge has been done over for the auto age without destroying its charm. Within a few months the new Manhattan approach to the city's first suspension span will be started. It means the destruction of another famed landmark—the old World Building.

Chinatown clings stubbornly to its old housing. It has beaten down grandiose schemes to raze its slums and replace them with a modern China village. It has grudgingly given blessing to a 300-unit State-aided housing project for its southern rim, a concession to the younger generation.

One of the Chinese elders observed in a rare moment of candor that the outstanding social difference in the last quarter century was the increase in freedom for Chinese women. "They're wearing the pants," he said sadly.

And at the northern perimeter of the downtown area, Greenwich Village, still dominantly Bohemian and quaintly shabby, has been transformed only on the margin, at Washington Square. Its older residents hope against hope that progress will pass it by.

There is deep concern among social workers and other champions of a resurgent lower East Side. Complacency has set in, they say, because some of the worst slums have been cleared. Blackened rookeries that huddled at the Brooklyn Bridge anchorage and stood in unending rows along the shorefront, have been replaced as far north as 13th Street by clean-lined public housing units separated by green lawns and wide play areas.

But the improvements only serve to mask the deeper squalor in the old unchanged core of this district. Ten low-rent city projects and a smattering of

subsidized middle-income housing, privately constructed, have provided decent living quarters for 9,000 families. Another 3,000 will be accommodated within 3 years. But there still are 40,000 families in dilapidated tenements devoid of all but minimum light and air.

About 185,000 persons live in the section now and 66 percent of the wage-earners make less than \$3,000 a year. While there are 25,000 fewer residents than in 1930, the tide is on the rise. In the last 5 years the population has grown more than 18,000. About 7,000 of the older residents have migrated to the suburbs or to other parts of the city and 25,000 Puerto Ricans have come to the lower East Side. Store signs in Spanish have replaced signs in Yiddish.

It is generally agreed that if ever a district was at a crossroads it is the East Side. Whether it shall gain stature as a sound middle-class homestead or sink back to its seamy past condition depends on greater cooperation between its older Jewish inhabitants and its newest residents, according to Miss Helen Hall, director of the Henry Street Settlement.

Miss Hall, soft-spoken but militant crusader for a better East Side, insists the opportunity is still there. She finds vitality and life among the impoverished people and among those who want to help them.

The district always has had interesting people, she says, even though conditions were horrible in 1933, when she succeeded Lillian Wald, the founder of Henry Street Settlement. It was a horror that the rest of the country was sharing, but the East Side has come a long way since then and must not be allowed to become a hostile neighborhood again.

Its basic needs are a new centrally located municipal hospital to replace the old and out-of-the-way Gouverneur Hospital; more schools to end the three-session pattern—and most important—a great amount of middle-income housing to raise the economic level, Miss Hall said.

An old arthritic woman sunning on a cracked tenement stoop summed up the East Side's plight in broken English. She said: "There is only one bad thing about this neighborhood. There's no place to live."

On the fringes of Washington Square luxury apartment houses are replacing old landmarks. A few of Greenwich Village's 85,000 inhabitants have been driven to other areas because they no longer can afford the high price of hobnobbing with Bohemians. And even some of the writers and artists who give the old section its unusual atmosphere are moving out. More and more sober-minded business men and women now flock to the Village, with its fine transportation and left-bank air.

Embattled old-time Village residents keep fighting change, too. They have just lost another round, and soon a nine-block section south of the square will supplant some old housing and even older lofts to make way for further expansion of New York University and nine 14-story apartment houses. The redevelopment, possible because of a Federal-city grant of nearly \$13 million, is another in the series of subsidized upper middle-income projects that, too, is aimed at stopping urban blight.

The apartments will rent for about \$50 a room a month and realty men acknowledge that it will attract only upper middle-income families with earnings of \$12,000 to \$18,000 a year. Nearly 6,000 villagers now report incomes of better than \$10,000.

The true heart and pulse of the Village, some contend, is not centered about the square but in the substantial brownstone houses to the west. Many have been cut up into small, expensive apartments, but nearly 1,400 are still occupied by single families.

A focal point of the real Village is the Village Art Center at 39 Grove Street. It is a nonprofit venture started by older settlers to enable artists and sculptors to show their works in proper indoor settings.

Tourists still gape at Village quaintness, its handcraft shops and its Eighth Street strollers in Bermuda shorts. There has been some change along 14th Street, along the northern border of the Village. Century-old Hearn's and Ohrback's have left that shopping area but it still is a rather raucous street, a startling contrast to the general quiet of Greenwich Village.

## THE MANHATTAN MIDTOWN AREA

## New Buildings Climb Skyward in District Already Congested

By Harrison E. Salisbury

Twenty-five years from the golden twenties to nuclear fifties have sculptured more deeply the man-made cordillera that is Manhattan's midtown.

Traffic jams have deepened. Shopping patterns are shifting. Tourists roam limestone vistas where once the speakeasy reigned. Broadway has dabbed new mazda sprays in her blowsy tresses and upper Fifth Avenue has grown more matronly.

The cannonade of riveters' guns echoes over Park Avenue. And, led by the titans of soap and oil and whisky, new headquarters area for blue chip corporations arises, all glass and glitter.

Change and growth are midtown bywords. But the next few decades are likely to produce more that is new than the last 25 years, which included a decade of hangover from the big jag of the 1920's. And nearly 5 years of war.

Twenty-five years have brought Manhattan midtown a dog's bar (a dachshund level drinking fountain on Fifth Avenue), a free bubble-water fountain on Central Park South (which does not always work). And a waterfall in Times Square (courtesy, Pepsi-Cola).

But it has robbed New York of Murray Hill (which survives only as a telephone exchange). Gone are the Vanderbilts and double-deck buses from Fifth Avenue. Soon the iron lace of the Third Avenue El will join that of the long-since macerated Sixth.

Ahead lie more changes.

## SOME LANDMARKS IN PERIL

The fate of ornaments like the Metropolitan Opera and Carnegie Hall sways in balance. The new Coliseum may doom Madison Square Garden.

Old Gramercy Park drowns peacefully and so does old Madison Square despite the ever-proliferating Metropolitan Life and A. G. Gilbert's new fairyland of toy trains. But to most New Yorkers—especially midtowners—there are few regrets. Change and progress are synonymous. Permanence and age suggest stagnation.

Today you can stroll from 36th to 60th on Madison Avenue and never be out of earshot of the metallic clatter of structural steel going up. It is much the same on Park Avenue and upper Fifth. Staccato symphonies for the mechanistic ears of New Yorkers. Counterpoint for the age of the ad man.

When the current wave of new midtown office building is finished it will be as though 20 new Empire State buildings had been jammed into midtown's ribs. There are 47 structures on the roster today—21 million square feet of office space built, building or about to be built. More is coming.

The new buildings will shoehorn another 125,000 to 150,000 office workers into one of the world's most congested areas. But resident population will drop by one-third. Already it is down to 59,700 from 1930's 80,298—82 percent middle-class citizens and wealthy. Some of them very wealthy.

The day may lie ahead when the steel-and-crystal promenades of upper Park and upper Madison will stand after nightfall almost as barren of pedestrians as Wall Street's hollow caverns.

Nor is this an end to midtown's shifting profile. Not by any means. Even the arch crowns of all midtown are not immune to change. William Zeckendorf, perhaps Manhattan's most Martian conceiver of plans, proposes to pile gargantuan new Ossas on the Pelions that are Grand Central Terminal and Pennsylvania Station.

Where will all this lead in terms of traffic, of access and egress from the panting bottlenecks into which 42d Street and 34th Street have already been transformed?

No man knows. Lewis Mumford, acidulous critic of Manhattan's cancerlike pattern of growth, thinks we may be headed toward sheer stagnation of all wheeled traffic in prime areas of congestion. Or even a ban on the wheel and forced plazification of approaches to Grand Central and Penn Station.

To this question real-estate men have no ready answer. Don't call it congestion, they urge; call it concentration. Concentration, they say, is the key to progress, to more business, to bigger and better and faster sales turnovers.

It is in accordance with this credo that office construction is going forward in midtown Manhattan at a pace that was hardly exceeded in the most booming years of the biggest boom of the past—that of the twenties.

Shibboleths of dispersal, or rationalized moves to the suburbs, closer to the homes of workers and executives, have gone by the board. The example of the ant is supreme.

Nor is there anything to suggest that thought has been given to the strategic potentialities involved in headquartering 100 of America's biggest industrial enterprises within nuclear-core radius of one of the city's two great transport hubs.

Led by goliaths of petroleum and detergents, the parade to midtown grows bigger and bigger.

Landmarks totter and tremble under the impact of the wreckers' crowbars.

A faint hint of Murray Hill's atmosphere is preserved in a handful of clubs and the J. P. Morgan Library, but the red-brick and mahogany hostelry that capped the hill between 40th and 41st streets has vanished.

In its stead has risen 100 Park Avenue—a shimmering 36-story structure of white brick and aluminum. This is the home of Ethyl Corp. and others. Petroleum names stud the register of new buildings—Arabian American, Sinclair, Amoco, and Socony-Vacuum—with the biggest one of all, the 42-story steel-sheathed gunmetal behemoth, rising in Chrysler's shadow on 42d Street between Lexington and Third.

#### AVENUES CHANGING RAPIDLY

All along Park and Madison Avenues between 34th and 42d, the story is much the same—one new building after another, white brick and steel or, sometimes, predominantly stainless steel, like the Socony-Vacuum and the 26-story National Distillers Building at Park and 40th.

Change marches with giant strides on Park Avenue above Grand Central, particularly northward from the twin-towered Waldorf-Astoria (opened in 1931, but actually a late spasm of the boom that started to die in October 1929).

For 30 years these upper reaches of Park Avenue have been solid—rank after rank of 4-square 12-story apartment houses. The "barracks of the wealthy," as they once were called.

Now the barracks are tumbling before demolition crews. Amid the well-ordered congruity of soot-stained tan brick are emerging the new glass palaces of the fifties—a bottle-green abstraction for the soap firm of Lever Bros; a glass-block house for Colgate-Palmolive, just nearing completion; a 31-story tower of glass for Seagram's whiskey, just starting on the east block between 52d and 53d.

Everywhere glass, glass, glass, and stainless steel, aluminum, and ceramic brick.

#### NEW BUILDINGS GLEAM

Amid the conventional buildings of the twenties—mostly faced with limestone or brick—the new structures gleam with the sudden shock of peeled tin cans and new bottles, strewn at random in a dull but well-furnished drawing room.

But do not look to see the Park Avenue trend reversed. In 1930 the west side of Park between 42d and 53d was held in 22 small parcels, mostly brownstones. Assessed land valuation was \$2,478,000, with improvements \$2,713,000.

Today Lever Bros' 21-story emerald jewel stands there—land valuation \$3 million, with improvements \$9 million. Land is up 25 percent; total value up 233 percent.

Economics dictates that wreckers and builders will be busy on Park Avenue for a long time to come.

On Fifth Avenue the story is more complex. Of Edith Wharton's New York hardly a silk rustle remains. South of Central Park every vestige of the Four Hundred has vanished.

Yet more disturbing, however, are ill-concealed hints that the Fifth Avenue legend, the whole epoch of merchandising summed up in those words may be reaching the Indian summer of its era.

Rockefeller Center, the greatest construction project of the interwar years, gave the upper avenue an anchor and a new focus. A limestone city within a city was built where once was a speakeasy town. On the average 160,000 persons flow in and out of the center every day, 32,000 of them workers. At Christmas and Easter the horde swells to a million or more.

The Fifth Avenue label is still a sterling mark of fashion. But Rockefeller Center is primarily an office and amusement site. Corporate and publishing kings—not merchant princes—are building the 20- and 30-story glass palaces that are going up these days on Fifth Avenue.

Only Best & Co., among the big stores, has moved to the upper avenue since the late twenties. But this is not because business is booming at 34th Street. It is because year by year the central stores of the great retail merchandising concerns of New York—in percentage terms—steadily lose more and more business to their subsidiary branches in the suburbs.

A revolution is going on in the department store business—and the symptoms are evident on Fifth Avenue and 34th Street. Macy's and Gimbels slug it out much the same as ever.

Last week workmen were busy transforming the lovely building at 37th and 5th, which McKim, Mead & White designed for Tiffany & Co. in 1905, into a Horn & Hardart quick-lunch counter. Tiffany for 15 years has been at 57th and 5th. The fate of the old store wasn't even worth — — —

Time is holding the clock on the old Fifth Avenue and the Fifth Avenue way of merchandising. Obviously, there will be fine stores on the avenue for many years to come.

But it is worth remembering that in 1945, in the first blush of postwar enthusiasm, Lord & Taylor announced plans for building a mighty glass department store on the west side of 5th Avenue from 52d to 53d Street. The store was never built.

A glass tower will go up on the site all right. But it will be a 36-story office building instead.

The change that whispers in the winds of Fifth Avenue is less evident in the bold and brassy regions of Times Square and Broadway.

Broadway is not a street for looking back.

Today Broadway can still remember the bone-white nudity of the heroic young man and young woman who symbolized Bond's clothing store atop the building at 44th and Broadway. But this is because the huge figures departed only a fortnight ago. Pepsi-Cola's artificial Niagara remains.

The triangle-capped Wrigley chewing gum sprites that antedated Bond's are lost in the antiquity of the midforties. And who can remember the International Casino of 1935 or the Loew's theaters that occupied the site even earlier?

Broadway's forgetfulness of yesterday is useful. The rollcall of vanished playhouses lengthens every year. The 70 of 1930 are down to 31 today and TV has claimed more in the last 5 years than parking lots did in the previous decade.

But Broadway sheds no tears for the departed. New lights, new dazzle, new clamor fill in the gap-toothed facade until it is hard to say or see what has changed.

Broadway may be getting seedy. The theater may be dying. But the invalid is fabulous as ever. Each day a million and a half people swarm into the S-block rhomboid from 42d to 50th—a multitude half again as large as that of the early 1930's.

The rouge on Broadway's checks grows thicker—to hide the wrinkles of age—but there is a lot of life in the old girl yet. And she is still the No. 1 attraction for the millions from Main Street and all over the world who descend on the metropolis of our times to see the sights.

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#### UPPER AND MIDDLE EAST SIDE

##### U. N. Buildings and Big Apartments Remake Face of District

By Peter Kihss

Wreckers, diggers, and builders have been making over the middle and upper East Side. But with their booming activity is coming heartbreak for residents being forced from one of the city's oldest communities—solid Yorkville.

Construction actually performed and building plans officially filed have topped a stunning \$750 million since World War II in the 4 square miles from 14th to 105th Streets, east of Central Park.

Overall, the population levels have remained about the same—355,000 residents in 1930, 357,000 by current estimates. A third of the residents with incomes above \$5,000 a year live generally near the park and East River boundary; 59 percent more, mostly in the heart core, have \$3,000 to \$5,000 a year incomes.

Sparking the postwar changes were two housing projects started above 14th Street in 1945 by the Metropolitan Life Insurance Co. City condemnation and limited taxation aided the \$112 million Stuyvesant Town. The \$38 million Peter Cooper Village burgeoned unaided.

Between 1946 and 1952, the \$67,500,000 United Nations headquarters came into being—a glistening real-estate Lorelei on the shorefront north of 42d Street.

Since the 1920's luxury apartments had rimmed the upper areas at 5th and Park Avenues on the west, and Tudor City, Beekman Place, and Sutton Place on the east. Now they are penetrating the middle blocks.

#### FORTY-THREE APARTMENT PROJECTS

Since 1947, 43 private apartment projects have been completed for 5,449 families. Twenty, with 3,146 units, are being finished, according to data gathered by Gordon D. MacDonald, research director of the Real Estate Board of New York. Building plans have been filed for 39 more with 5,170 units.

In addition, 9 cooperatives have been built with 881 units, 3 with 304 units are being completed, and 2 with 151 units have been submitted. All told, this would be 15,101 units in 116 projects, with valuations estimated above \$263 million.

Renting for \$60 to \$100 a room a month, the new apartments are breaking open the staid patterns of Yorkville. They are replacing the 4- and 5-story tenements and brownstones that for 50 years and more have sheltered middle European workers and their sturdy scions.

Many of the tenements are certainly rundown. But they have been homes—at \$10 a room a month or so—for large families. Vacancies in Yorkville tenements do not exist.

Stanley M. Isaacs, former borough president and now Republican-Liberal councilman for much of the district, says the prevailing concern is "fear of being squeezed out." He urges rehabilitation of homes to conserve the old neighborhood.

Five typical tenements face the wrecker's hammer across from Lenox Hill Neighborhood House, 331 East 70th Street. Lillian D. Robbins, executive director, and R. Fulton Cutting 2d, housing chairman, report 30 families had lived there an average of 15 years each.

#### HARDSHIPS IN EVICTIONS

On average incomes of \$230 a month, the families had paid \$31 in rent for 4-room flats. Evictions have forced such splitups as one child sent all the way to a Georgia grandmother.

The incoming upper-income folk include many West Siders, fleeing a Puerto Rican influx.

Two doors from Lenox Hill House, an American Labor Party club displays a map and handbills citing demolitions and hundreds of families forced out. The club and another on Lexington Avenue near 78th Street offer free advice and call on tenants to act together to save their homes.

Miss Robbins favors making private builders responsible for relocations, as are public builders. She urges the city at least to set up a central relocation bureau. Such an agency was advocated in January 1954 by 3 of 7 city planning commissioners.

Eviction certificates—with 3-month stays—have been issued by the State rent commission whenever builders promise a net increase in housing units. The policy is now under review.

The Metropolitan Life Insurance Co. set a private housing precedent when it created its own relocation bureau in 1945 for the Stuyvesant Town project. This cleaned out 67 blighted acres from 14th to 20th Streets between Avenue C and 1st Avenue.

Three thousand families—of 23 nationality origins—had been living in cold-water flats in the so-called gashouse district, dominated since 1842 by huge tanks of the O'Connell manufacturing plant.

Thirty relocation workers, including linguists, solicited listings and sought out vacancies, insisting on hot water, private toilets, and good conditions. In 10 months they helped find havens for 200 stores and 150 industrial concerns, as well as the families.

Stuyvesant Town brought 24,000 tenants into an area where previously the population had decreased from 27,000 in 1920 to 11,000. Its 8,755 apartments in 35 new buildings took only a fourth of the site. The rest opens on to a 5-acre center park, trees by the hundreds, gushing fountains, and bustling recreation areas.

Peter Cooper Village lured 7,000 persons into 2,495 apartments. Both projects have seen wholesale fixing up of neighboring properties since, Frank C. Lowe, Metropolitan vice president, says.

First Avenue frontage, he notes, was assessed at \$500 to \$640 a foot in 1943-44 between 14th and 20th Streets. By 1952-53 it was up to \$2,000 to \$2,400. Fourteenth Street valuations, between Avenue B and First Avenue had been \$250 to \$420. They rose to between \$900 and \$2,400.

To the north, a 1,238-bed \$20 million Veterans' Administration hospital opened last October. The adjoining Institute for the Crippled and Disabled underwent \$600,000 rebuilding in 1952. Bellevue Hospital has had \$3,333,000 in postwar improvements. The 4-block New York University-Bellevue Medical Center has opened 2 of 5 buildings in a \$82 million program.

The \$58 million Queens-Midtown Tunnel was opened in 1940, and the \$6,800,000 East Side Airlines Terminal in 1953. When the 7-mile \$46 million East River Drive was built between 1935 and 1942, it still had to provide underpasses north of 42d Street so cattle could be unloaded from barges to slaughter houses.

As kosher slaughter here declined, the Wilson and Swift companies offered their 8 acres in 1946 at \$17 a square foot to the real estate genie, William Zeckendorf. Mr. Zeckendorf remonstrated that neighborhood prices were under \$5.

But then he considered that the reeking slaughterhouses had held values down. The section was handy to the river and Grand Central. Envisioning a major office, cultural and apartment center, he bought the meat packers' tract for \$6 million and other parcels for \$4 million.

The image unexpectedly turned into a United Nations headquarters, for which Mr. Zeckendorf sold an \$8,500,000 plot. He disposed of peripheral holdings for \$3 million in 1947, to agitate with more detachment for major redevelopments in the United Nations area.

The city has spent \$23,658,000 for improvements around the world capital, including a First Avenue tunnel. But the present one-block tree-lined 47th Street approach virtually dead-ends into red-brick stores and tenements on Second Avenue. Border development—such as the \$5 million Carnegie Endowment International Center completed in 1953—grow unplanned.

#### ELEVATED LINES GO

Elevated railroads long fenced the East Side. The 62-year-old Second Avenue El was demolished in 1942, after long crusading by what is now the Lexington-First Avenue Association. Undergoing a half-dozen building projects, Second Avenue still awaits a promised subway.

Slated for demolition is the Third Avenue El, which cased 77 years of Manhattan service May 12. That 100-foot-wide avenue, long famed for bars and antique shops, expects midtown office development.

A forerunner is the \$17 million multicolored brick 19-story building being built from 44th to 45th Streets by William Kaufman.

The upper East Side has long had a galaxy of medical centers. Beth David Hospital is now planning to take over the Hospital for Special Surgery, 42d Street east of Second Avenue, in a \$3,700,000 deal and renovation that will lead to a 300-bed general hospital in January.

At the district's northern edge on 99th Street and First Avenue, the city is to open in September the new \$26 million Metropolitan Hospital with 1,050 beds.

Stretching inland from that green pastel structure are three New York City Housing Authority projects. George Washington Houses, with 1,515 apartments, and Carver Houses, with 1,246, have tenants, but are still being completed at costs of \$23,300,000 and \$22,780,000, respectively. The 448-unit, \$4,780,000 Lexington Houses was finished in 1951.

A \$24 million housing construction job is to start this fall on a 5-building 840-apartment New York University-Bellevue title I redevelopment project. This will be from 30th to 33d Streets, between 1st and 2d Avenues.



## ALONG MANHATTAN'S WEST SIDE

## Revitalizing of Area Follows its Traditional Absorbing of New People

By Russell Porter

There have been many changes on the West Side of Manhattan in the last 25 years, but, to paraphrase an old saying, the more it changes the more it remains the West Side.

That is, the major change today is a population shift, just as it has usually been since the Manhattan Indians lived along the east bank of the Hudson River in the northern part of the island.

First the Dutch displaced the Indians. Next, the British ousted the Dutch. Then came successive waves of immigration, including Irish, German, Italian, Greek, and Jewish settlers. Now, Negroes have spilled over from Harlem and Puerto Ricans have found the West Side a good place to live in.

The total population of the West Side from 14th Street to its northernmost limit at Marble Hill increased from 656,835 in 1930 to 816,900 in 1954. Of this 160,000 growth, only 7,500 was supplied by the white population. Nonwhites more than doubled to a total of 89,200. Puerto Ricans, not counted separately 25 years ago, were estimated by the city planning department last year to number 104,800.

## IN THE ECONOMIC STRATA

As to income, 10 percent of the total population is rated upper bracket. These West Siders are concentrated mostly north of 54th Street and along Central Park West and Riverside Drive, mainly in the Seventies. Some live in the hill section at Washington Heights near Fort Tryon Park.

Fifty-five percent have middle-class incomes. Their chief habitat is still for the most part Washington Heights, on the upper West Side. Hell's Kitchen, near 42d Street west of 10th Avenue, also has become largely a middle-class neighborhood, belying the name it had in the days of the Hudson Dusters, Owney Madden and prohibition.

Thirty-five percent occupy the lower income level, many of those living in slums bred of 19th century tenements and old brownstone fronts converted into overcrowded, unsanitary rooming houses.

A characteristic of West Side life is the mixture of races and nationalities in rundown neighborhoods with antiquated housing, in close proximity to modern houses and apartments with all the comforts and conveniences. These contrasts of squalor living next door to luxury have created frictions, resentments, and fears.

Typical of much, though not all, of the West Side is a picture of living conditions in the Chelsea area between 14th and 30th Streets drawn recently by New York University's Center for Human Relations Studies.

## PUBLIC AND PRIVATE HOUSING

Its report, published last April, found that overcrowding in inadequate housing had been a Chelsea problem for a long time but had been intensified by the Puerto Rican newcomers. Some of these are exploited by landlords.

Residents want homes large enough for decent family living at moderate rentals. They are concerned about juvenile delinquency and youthful gang wars. They worry about children forced to play in the streets in danger from speeding cars, cabs, trucks, and buses.

Many are afraid on the streets because of reports of muggings and the molesting of women and children.

Similar conditions have been found here and there all along the West Side. The Morningside Citizens Committee has reported that the Morningside Heights-Manhattanville area is three times as crowded as the city as a whole, with rooms renting for as much as \$26 a week in "veritable pigsties."

## A BETTER PERSPECTIVE

However, the West Side is not exclusively marked by violence, crime, and sin, or by contrasting riches and poverty, as some appear to believe. It is also known for its old established home neighborhoods, some with backyard trees and gardens; for its churches, parks, and playgrounds; for its theaters, opera

houses, concert halls, music, dramatic and other schools, and for its colleges and universities, museums and other cultural institutions.

All the changes in the last 25 years have not been those of deterioration. There have been major improvements, too.

For example: the George Washington Bridge, now to have a second deck increasing its capacity by 75 percent; the Lincoln Tunnel, for which a third tube is being constructed to raise its capacity by 50 percent; the Columbia Presbyterian Medical Center, the Riverside Church, the Port Authority Bus Terminal and some new office buildings.

Also opened in the last quarter century have been the Sixth and Eighth Avenue subways, and the West Side Highway connecting with the Henry Hudson Parkway. The Sixth and Ninth Avenues elevated structures have been removed, letting more light and quiet fall upon West Siders. Death Avenue has been eliminated with its grade crossings where many fatal railroad accidents occurred.

New piers have been built and old ones modernized. The long criticized "shapeup" of longshoremen has been abolished. Labor peace has settled at least temporarily upon the waterfront that is so important to the West Side's economic life, linking New York with the Seven Seas.

A West Side Airlines Terminal is under construction and is to open soon at 42d Street and 10th Avenue. Industry has expanded near the railroad tracks along the Hudson. One-way traffic has been ordained for main avenues and streets. A television center has grown up in the Sixties.

In the last few years four new public housing projects have been completed with a total of 4,541 occupied apartments. They are the Elliott, Amsterdam, Dyckman, and Marble Hill developments. Three other such developments are under construction or have been planned with a total of 5,214 apartments—the Manhattanville, General Grant, and Frederick Douglass projects.

As for private housing, 49 buildings with 3,522 apartments have been put up since 1947, including 26 on Washington Heights. On Morningside Heights the Morningside Gardens private cooperative with 981 apartments has been planned.

Morningside Gardens is sponsored by a nonprofit redevelopment company. This company was formed by the 9 educational and religious organizations out of the 14 that banded together in 1947 in Morningside Heights, Inc., a neighborhood improvement group. With city and Federal aid in assembling land under title I of the National Housing Act, the company began demolition in January 1954 in the 2 blocks bounded by Broadway, West 123d Street, Amsterdam Avenue, and La Salle Street.

Four new public schools and two new junior high schools have been built on the West Side in recent years.

#### CIVIC PRIDE IN ACTION

West Siders are proud of the West Side. They consider themselves the real New Yorkers and identify themselves with the West Side as Brooklynites identify themselves with the Dodgers. Over the generations West Siders have acquired a tradition of civic cooperation and social consciousness.

These qualities are coming into play now. Civic organizations are cooperating with the city authorities to clean up bad spots, improve housing conditions and make the streets safer. They are pushing rezoning plans to make the whole area more attractive to business and industry. They have begun to rebuild the West Side.

The two-block Coliseum development at Columbus Circle, to open next spring, will give the West Side a modern exhibition hall for conventions and expositions, a 20-story office building, a public parking garage and 2 new apartment houses.

North of the Coliseum, the run-down 30-acre Lincoln Square section is to be redeveloped with a slum clearance project to include a downtown campus for Fordham University and new apartment houses. It is hoped the project will eventually attract a new Metropolitan Opera House, a new Carnegie Hall, a fashion center and an engineering center.

The New York Times recently announced the purchase of nearby property between 62d and 65th Streets, along the New York Central Railroad tracks, for future use.

#### FAITH AND CULTURE SYMBOLS

On Morningside Heights a 17-story, block-long United Church center is to go up near Riverside Church as headquarters for the National Council of the

Churches of Christ in the United States of America Columbia University has planned a 10-story arts center for its campus on Morningside Heights and a new building for its law school.

Construction is under way on a new physics research building on the Columbia campus.

The College of the City of New York on St. Nicholas Heights has taken over the nearby 18-acre campus and buildings of the former Manhattanville College of the Sacred Heart and will move in this fall. It is planning a new library and other new buildings there.

Tentative plans have been announced to rebuild Pennsylvania Station and over it to erect a skyscraper to be known as the Palace of Progress. It is to house a permanent world trade center and a wholesaling center for buyers.

Other plans are being drafted, also, for new housing and slum clearance projects, for better traffic control and parking facilities, for modernized docks and for midtown expressways.

Thus, the West Side is on the move again. It has snapped out of its lethargy. It has had enough of deterioration. It wants to rejoin the march of progress.

The West Side says it assimilated the Dutch and the English and the Irish and the Germans and the Italians and the Jews and all the others, and it can assimilate the Negroes and the Puerto Ricans, too. Aren't we Americans all?

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### HARLEM NOW ON THE UPSWING

Turbulent Area, Still Beset by Grave Problems, Sees a New Dawn

(By Laymond Robinson, Jr.)

In the years between the start of World War I and the end of World War II, Harlem changed from a melting pot into the city's boiling pot.

It became a turbulent area of decaying tenements, chronic unemployment, dirty streets, racial clashes, poor schools, high rents, jazz music, and noisy politics.

In these three decades Harlem shifted from a moderately populated community of well-to-do middle-class and working-class Jews, Italians, Irish, Germans, and Greeks into a tightly packed, predominantly low-income region, inhabited largely by Negroes and plagued by a bewildering assortment of community ailments.

However, in the last 10 years, and particularly in the last 5, Harlem has been a community on the upswing—economically, politically, socially, and physically. Though it is still confronted with a long list of formidable problems—some of which were intensified by the heavy postwar influx of Puerto Ricans—the area is going through a period of change for the better.

Employment is up; business is good; a large-scale slum clearance program is under way; streets are cleaner; new schools have gone up and others are planned; youth centers have opened; a new savings institution has been established and another is under construction; new churches are planned and others have been renovated; a new city market is to be built; new stores and shops have sprouted everywhere; and Harlem's citizens enjoy a growing political power.

In short, the community is riding a wave of optimism, attributable in part to the general business and industrial prosperity of city, State, and Nation, and in part to the gradual curtailment of the two root causes of many, if not most, of Harlem's problems—the twin evils of racial segregation and discrimination.

#### HOME TO 450,000 PERSONS

The small Harlem area is home to 450,000 persons, and 3 groups—Negroes, Italians, and Puerto Ricans—make up the bulk of the population. There is so much movement of families in and out of Harlem today that there are no accurate breakdowns on these groups. However, the best "guesstimates" are that the area contains 280,000 Negroes, 80,000 Italians, and 75,000 Puerto Ricans.

Harlem's white population is steadily dwindling, as it has been for more than four decades. If this outward movement continues, it means that the last of the descendants of European immigrants will have left Harlem, where they once constituted the bulk of the population.

Harlem's history since World War I is written largely in terms of the Negro's settlement there. Although Negroes began to move into Harlem in small numbers about 1910, the great influx came during and after the two World Wars.

The Negro, like the descendant of the immigrant and the Puerto Rican migrant, came to Harlem because at the time it was a better place to live than the place he had lived before. Negroes came to Harlem to escape the rookeries of the Tenderloin and San Juan Hill areas of midtown Manhattan, the poverty and racial oppression of the South, and the poverty and political conditions of the British West Indies.

#### DISCONTENT AND RIOTS

But as the Negro moved into Harlem, seeking a better job, a better education, and a better home, he found that many doors normally open to others were closed to him because of his color. Though the Negro came, for the most part, from an agricultural economy into a highly industrialized one he found, for example, that it was difficult to gain admission to trade schools and colleges to prepare for jobs in civil service and private industry and business.

He was isolated socially and culturally. And he was, in the main, a Republican voter in a Democratic city; thus his political influence was negligible. Because his need for housing was great, he was charged a higher rent for less space than whites, although he had less money to pay for it.

Because of all these things and more, Negro Harlem began to steam with discontent. In the twenties and especially in the depression years of the thirties, Harlem boiled with protest meetings, boycotts, and racial strife.

Street crowds were harangued by a succession of soapbox orators—among them Communists and "Black Nationalists"—preaching everything from recolonization to convolution. Harlem's housing, built mainly before the turn of the century, and neglected by landlord and tenant, began to disintegrate. There were serious riots in Harlem in 1935 and again in 1943.

The depression also was the heyday of the cult leader in Harlem. Father Divine arose to save the masses with slogans of "Peace Is Truly Wonderful," and with food and clothing and shelter, which came from the pooling by his "angels" of all their earthly goods. Daddy Grace led another large movement.

But Negro Harlem presented still another face, one that contrasted sharply with its turbulent political, social, and economic movements and its ingenious cult movements.

Harlem in the prohibition era became the eastern outpost of the American jazz movement, created by the southern Negro who brought it north with him. The area was studded with plush nightclubs and speakeasies and honky-tonks where the pleasure-seeker could clap to the Dixieland beat, "cut" the Charleston and the shimmy and the black bottom, and gulp bad booze.

As the years went by, Harlem became the national focal point for Negro creative talent. Roi Ottley, Ann Petry, Walter White, George Schuyler, and James Weldon Johnson wrote books there; Duke Ellington and Sy Oliver wrote and arranged music there; Bessie Smith, Florence Mills, Lena Horne, Billie Holiday, Fats Waller, Ethel Waters, Pearl Bailey, Nat (King) Cole, Billy Eckstine and Ella Fitzgerald sang their songs there; Richmond Barthé sculpted there; Marian Anderson, Paul Robeson, and Roland Hayes appeared in concerts there; Louis Armstrong, Cab Calloway, Chick Webb, Jimmie Lunceford, and Lionel Hampton played at dance halls and theaters there; Bill Robinson danced there, Aaron Douglas painted there, and Langston Hughes, Claude McKay, and Countee Cullen wrote poetry there.

#### THE PUERTO RICANS ARRIVE

The Puerto Rican, like the Negro and the descendant of the immigrant, came to Harlem because it was a better place than where he lived before. Small numbers of Puerto Ricans have lived in East Harlem since World War I—15,000 lived there in 1930—but it was not until after World War II that the Puerto Rican began to migrate in large numbers.

His problems of adjustment and acceptance have been, on the whole, not as difficult as those encountered by the southern and West Indian Negro, and not as easy as those encountered by the descendant of the European immigrant.

For example, the Puerto Rican influx comes at a time when there are a good many antidiscrimination laws on the books, most of them enacted since World War II. Although he encounters a good deal of discrimination, he does not see as much of it as did the Negro in the early days of his settlement in Harlem.

In brief, although the Puerto Rican's heavy migration has intensified some of Harlem's problems, such as its acute housing shortage, he comes at a time when Harlem is beginning to see better times.

The list of postwar changes in Harlem is lengthy and it is growing. Here are some of the highlights:

Ten public and private housing developments have been built and others are under construction or planned. Harlem has the greatest concentration of new public housing developments in the city, with 8,701 units occupied and 3,184 under construction. These low- and middle-income developments cover 160 acres.

Ten public schools have been built. One of them, public school 156, a 2-year-old elementary school near the Polo Grounds that contains some architectural features of the ranchhouse, is a board of education showplace. And the St. Charles Roman Catholic Church plans to build a school on West 142d Street.

A new savings institution operated by Negroes, was established in 1948 on West 125th Street, Harlem's main shopping center. This is the Carver Federal Savings and Loan Association, which started out with \$25,000 and now has assets of \$5 million. Other banks and stores, such as the Empire City Savings Bank on West 125th Street, are undergoing extensive renovations.

The venerable Bowery Savings Bank, the world's largest mutual savings institution, is constructing a \$4-million building at St. Nicholas Avenue and West 145th Street. In addition to serving as a branch bank, this 12-story structure will contain 211 apartments for middle-income families and will provide for stores and professional offices as well as garage space.

The Harlem River Drive, which will form a connecting link between the Franklin D. Roosevelt (East River) Drive and the George Washington Bridge, is under construction.

A new 18-story hospital, East Harlem General, has been constructed at First Avenue and East 97th Street. A new 200-bed addition is planned for Harlem Hospital—the city's most overcrowded institution—at West 136th Street and Fifth Avenue.

Harlem's political power has risen steadily in the postwar period. A political shift occurred in the 1930's and Harlem today is almost solidly democratic. In the 1953 mayoral election, Hulan E. Jack, a Harlem resident, was elected Manhattan Borough president. An increasing number of Harlem's residents are getting high appointive posts in the city's government. A growing number of Harlem's citizens are civil-service workers, a result of better education and the lessening of racial discrimination.

Last year the Roman Catholic Archdiocese of New York opened a \$500,000 community center on West 134th Street near Lenox Avenue. St. Philip's Protestant Episcopal Church on West 134th Street, America's largest Episcopal parish, opened a community center several years ago. Salem Methodist Church, on Seventh Avenue, recently completed a half-million renovation project.

Harlem is still burdened with serious problems. The acute housing shortage heads the list. Other major ailments are: high rates of crime, particularly juvenile crime; a large number of narcotic addictions; a high incidence of tuberculosis; and high infant-mortality rates.

These problems exist in greater or lesser degree in other parts of the city. They are being resolutely attacked by city agencies and private organizations.

They are listed here to illustrate that the heavy rains of human suffering have not ceased to fall on Harlem. But the rains have slackened; and, in the distance, the rainbow can be seen.

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#### NEW FACES IN THE LOWER BRONX

##### Shifting Population Often Raises Tense Problems in Housing

(By Sydney Gruson)

A quarter century has produced a social upheaval that dwarfs physical changes in the lower Bronx.

Over the last 25 years, and mainly in the last 10, nearly 200,000 Negroes and Puerto Ricans have moved into the Bronx south of West Tremont and Westchester Avenues. They make up nearly 30 percent of the area's population, and they are continuing to arrive.

In many areas of the lower Bronx, they are displacing the Jewish settlers who displaced the Germans, in others the Irish who displaced the Jews. The story of the lower Bronx in 1955, as it has been for most of its history, is a story of shifting people.

Because, for most people, it is a way stop on the social and economic ladder, the lower Bronx has always been a low-income area, whether its people were white or nonwhite, native-born or immigrants. It has been a surprisingly faithful mirror of the immigration patterns for the entire middle Atlantic seaboard.

#### MIDDLE INCOME PREDOMINATES

Only 3 percent of its families are in what is considered the upper income level of \$5,000 or more annual family income. Seventy percent are in the middle income bracket, \$3,000 to \$5,000 annually, and 27 percent earn less than \$3,000 annually.

Those in the highest group live mainly in the area's northern end of the Grand Concourse district. This broad avenue, built to rival Paris Champs Élysées, is in itself a reflection of the economic geography of the lower Bronx.

From its southern terminus at 135th Street, it climbs northward through grubby, squat warehouses, shops, and residences. Suddenly the buildings are finer and the avenue itself cleaner and richer looking as it cuts past 149th Street on its way to the better homes and districts lying to the north.

Two new buildings dominate the concourse between 149th and 161st Streets. The central post office and the granite-and-marble county courthouse with its plaza, both completed in the thirties, are among the finest of the new construction in the lower Bronx in the last 25 years.

With the exception of public housing projects, there has been comparatively little new building, however. A few handsome middle-income apartment houses have gone up on the concourse, and a luxurious beach club, Shore Haven, on the homestead of one of the earliest settlers, has enriched the Clason Point area.

#### TRANSPORT LINKS BROADENED

It is less so now than 25 years ago, but the lower Bronx remains a "bedroom for Manhattan," a place from where its people go to work elsewhere. The quarter century brought a significant advance in the communications facilities linking the lower Bronx with its neighboring boroughs.

The Eighth Avenue subway was extended up the concourse. The Triborough and Bronx-Whitestone Bridges were built, and some of the worst of bad housing was swept away for the approaches from the lower Bronx. The Deegan Expressway joined the east and west Bronx, and again slum housing was cleared to make way for it.

A minor industrial boom has opened up new possibilities. From Hunts Point all along the East River to 135th Street, an industrial development has been emerging. Many believe that the lower Bronx future is tied in with the success of its new industries.

There are new iron- and steel-working plants, gypsum and cement factories. The New Haven Railroad, which has freight yards and terminal facilities at Hunts Point, has recently built several modern warehouses and other structures there. Bronxites now proudly refer to the area as "little Pittsburgh."

But modern living, for which the new industries are geared, has also hurt the lower Bronx. Oil heating spelled the doom of the coal companies that once lined the Bronx River and the Mott Haven Canal before it was filled in from the Harlem River to 138th Street.

An era that developed the radio to listen to and then television to look at brought the closing of the pianomaking plants dotted from 133d to 138th Streets along what was Southern and now is Bruckner Boulevard.

#### POPULATION SHIFTS

These are some of the outward evidences of change apparent to the eye. Not so apparent, but of far more concern to the people involved, are the changes induced by the influx of nearly 100,000 Negroes and more than 100,000 Puerto Ricans into the lower Bronx since 1930.

The Negro influx came first. It started with the search for better housing and living conditions of Harlem residents who had improved themselves economically. About 12 years ago the movement was accelerated by the arrival of large numbers of Negroes from the South.

The early arrivals settled in what had been predominantly Jewish and Irish neighborhoods in the East Bronx. As more Negroes moved in, followed more recently by Puerto Ricans, more Jews and Irish have moved out. The Irish have concentrated in the Highbridge section, in the region of Yankee Stadium, and the Jews near there and along the Concourse.

The official city figures for 1930 show a total population of 681,807 in the lower Bronx, with fewer than 10,000 Negroes and "very few" Puerto Ricans. At the beginning of 1955 more than 200,000 of a total population of 726,900 were Negro or Puerto Rican.

They took over housing that had already begun to deteriorate, and little or nothing has been done to halt the deterioration since. The size and speed of the Negro and Puerto Rican influx has, if anything, speeded up the deterioration. As a result, a major share of the New York Housing Authority's new construction over the last 13 years has been in the lower Bronx.

Nine subsidized city housing projects for low-income families and one for middle-income groups have been built in the lower Bronx. They have provided homes for 9,298 families. Three more projects to house 3,550 families are planned.

These towering multifamily dwellings represent the biggest single physical change in the Bronx in the last 25 years. They also have provided one of the bitterest controversies between city and borough leaders, on the one hand, and the older residents of the Bronx.

For the purpose of the public housing projects has been to encourage what social workers call "integrated housing," where people of all and any color or religion can live together. The projects have been built in all sections of the lower Bronx.

Six of the 10 already built and all 3 of those planned for the immediate future are in predominantly white neighborhoods. Some have been built over strong protests in the midst of large areas of small private homes.

"We can live together," says Borough President James J. Lyons. Not all agree with him. The reaction of the majority in the affected neighborhoods was summed up by one longtime resident.

"We may have to live together," he said. "Whether we can in harmony is another question. Right now, most of us don't like it."

#### RACIAL TENSION FOUGHT

Most of the older Bronx residents profess not to understand why the housing projects had to be built in white neighborhoods rather than in districts where the Negroes and Puerto Ricans had already become a majority or a large percentage of the population. A frequent comment ran along these lines: "They bring the minorities to us. How can they expect anything except hostility and suspicion?"

Admittedly, the integration in public housing has not worked out as well as the social workers, both Negro and white, had hoped. The flight of whites has begun in some cases with the announcement of a forthcoming project, perhaps years before it is completed.

When Morris High School, the Bronx' first, became overwhelmingly Negro, a long, uphill campaign was started by its principal, Jacob Bernstein, to rezone the school area. The aim was to balance the student body. This was achieved, and, as a result, people stayed in the district who otherwise would have been expected to move.

#### STORES AID COMMUNITY

A flight of business from the Hub, the old commercial center of the lower Bronx at 150th Street and 3d Avenue, was feared at first. But the business community, led by Sachs Stores, stayed fast and proved to itself that community activity could be good business as well as its own reward. Today the auditorium at Sachs 150th Street store is the center of such activity, much of it dedicated to the problem of the lower Bronx juveniles.

In an area of so much overcrowded, poor housing, the streets are the playgrounds and the breeding place of trouble for most teen-agers in the gangs that roam over parts of the lower Bronx.

This is why there has recently been an emphasis on the building of new recreational facilities to help meet the problem. Youth centers have gone up in St. Mary's and Crotona Parks, near some of the most troublesome areas. And more are planned—on the Baxter Creek fill-in under the approaches to the Whitestone Bridge and in the reclaimed land of the Bronx Kills, the junction of the Harlem and East Rivers.

It is far from becoming a garden land, but the parks, playgrounds, and new housing, already built or planned, hold out a promise for the lower Bronx that was not there 25 or even 15 years ago.

#### CONFLICTS IN THE UPPER BRONX

##### Creeping Urbanization Meets Resistance From Staid Suburbia

(By Richard Amper)

The upper Bronx is suffering from a split personality.

Her desire to be a suburban residential area has clashed with a ceaseless surge of urbanization and new residents.

This conflict is nowhere so great or dramatic as in the most un-Bronx part of the borough—the fashionable Riverdale section in the northwest.

Here the Bronx wears a lorgnette. From wooded estates and splendid private homes on 1,600 hilly acres dedicated to spacious and gracious living, Riverdale looks down on her less affluent cousins in a welter of apartments and shudders.

Many Riverdale residents do not like to consider themselves even as proper Bronxians. They deem it a cruel trick of geography and legislation that Riverdale, once part of Westchester County, legally belongs, by annexation, to the Bronx. Some are known to list their addresses on stationery as Riverdale-on-Hudson. But that is an old sore spot.

In the last 5 years, the residents have had something more immediate to resent and fight—a flood of new apartment houses threatening what has been called the last bulwark of residential exclusiveness in New York City. The apartments have sprung up in tawny and other brick heaps of 6 and 12 stories in the Spuyten Duyvil section below 239th Street. They are luxurious, to be sure. An advertisement for them could well say:

**DELUXE APARTMENTS** with terraces, set in sylvan charm overlooking the majestic Hudson, \$50, \$60, and \$100 a room. Penthouse \$12,000 to \$14,000 a year.

Of 201 new apartments built in the Bronx since 1950, 46 are in Riverdale and house 15,000 persons. More are on the way up. Largely as a result of them, Riverdale's assessed valuation has jumped more than 100 percent since 1935, or from \$56,560,425 to \$121,092,435. By comparison, the valuation of the city as a whole rose only 3 percent, the entire Bronx about 30 percent.

#### POPULATION UP 20,000

Riverdale's population has increased in like proportion, from 21,000 to 41,000 in 5 years.

It was not an aversion to new well-to-do residents, but unchecked apartment construction itself that rallied private-home owners against the builders in defense of a suburban way of life within the city.

A decisive battle ended last year in this zoning truce: 60 percent of remaining unoccupied land to be for private homes, the rest available for apartments for 63,000 persons. But Riverdallians face still another battle this month before the board of estimate.

They are trying to preserve for recreational purposes the 28-acre site of Seton Hospital, which was abandoned by the city and which some officials want used for more private apartments. The recreational facilities are sought to help combat juvenile delinquency that besets Riverdale, although perhaps not to so great a degree as poorer neighborhoods.

#### WHAT SURVEY SHOWS

Gang fights, muggings, auto theft, and other deprivations have been reported even in this community where a survey by Dave Stein, publisher of the weekly Riverdale Press, shows:

Three times as many residents earning \$7,000 to \$10,000 a year as there are in any equal area in the city.

Sixty-four percent of the population consists of professional men, men who own their own businesses and other executives.

The three most commonly owned autos are Buicks, Oldsmobiles, and Cadillacs, in that order.



Having homes in Riverdale are such persons as Cleveland E. Dodge, of the Phelps-Dodge Corp.; the Edward C. Delafields, one of the first families of Riverdale; Mrs Charles Evans Hughes, Jr, widow of the former Solicitor General; Arturo Toscanini; and Lt. Gov. George B De Luca.

The rest of the upper Bronx shares Riverdale's conflict but with certain low- and middle-income variations of its own. This area, often called the bedroom of New York, is sleeping fitfully in anxiety over subsidized public housing for low-income groups and an influx of Negroes and Puerto Ricans.

The city's northernmost extremity, it embraces 60 percent of the only borough actually on the mainland and extends from the 177th Street-East Tremont Avenue area north to the city line. Its population of 773,000, up 200,000 from 1930, is slightly more than half of the entire borough and larger than that of Pittsburgh, Milwaukee, or New Orleans.

These people live in more than 600 elevator apartments and countless walkups and in 27,000 1-family and a like number of 2-family homes. They are predominantly of moderate means.

Eighty percent are in the middle-income group, which, by 1950 census definition, earns \$3,000 to \$5,000 yearly. This appraisal of middle income has been challenged by some who contend it is too low and should range from \$4,000 to \$9,000. Whatever the basis, about 9 percent are estimated to be below middle income and 11 percent above.

The bulk of the upper income group lives in Riverdale, Fordham Hill or Jerome Park areas of the west and northern Bronx and the Pelham Parkway area in the East Bronx. The Grand Boulevard and Concourse, built in imitation of Paris' Champs Elysees, also remains a "good address."

Historically, the upper Bronx has been the top of an escalator on which successive waves of population rode from bargain-basement living in teeming lower Manhattan in quest of "a nicer neighborhood" and "a better life." First came the Irish and Germans, then Italian immigrants and Poles and Slavs and Jews, displacing and leap-frogging each other, hopscotching from the lower East Side to Harlem to the lower Bronx to the upper Bronx. And the escalator kept moving, latterly bringing up Negroes and Puerto Ricans.

Where there were 3,761 Negroes in 1930, there are 14,500 now. There were no Puerto Ricans in 1930; now there are more than 9,000. And the influx from the South Bronx and Harlem continues.

To millions of Americans the Bronx has been typified in Gertrude Berg's television and radio dramatization of "The Goldbergs."

A precise ethnic breakdown of population is unavailable, but of the largest groups, fully 55 percent are estimated to be Jewish, 22 percent Irish and about 18 percent Italian.

The arrival of Negroes and Puerto Ricans has accelerated an exodus of the older residents to Westchester, Long Island, and New Jersey in search of a new suburbia. Civic and political leaders, businessmen, realty men and social workers says the trend, underway in recent years, is stronger now. Negro leaders frankly acknowledge that the advent of Negro and Puerto Ricans is resented and resisted.

Unlike Riverdale, the rest of the upper Bronx has no financial hurdle against low-income groups. One of the chief grievances of the board of trade, the chamber of commerce and the real estate board and older residents is against additional subsidized public housing that "integrates" low income families of all colors and religions. They charge that such housing is spoiling the upper Bronx for private homeowners and other taxpayers.

They contend that the tax-exempt projects increase the community's tax burden and complicate the already difficult problem of inadequate schools. They also argue that some public housing sites should have been used for industry and business.

Three such projects have been built in the upper Bronx, accommodating 17,120 persons. Four have been built for middle-income groups and house 13,209. All were built in the East Bronx on unoccupied land and replaced no slums.

#### PROJECTS CAUSE OUTCRY

Two low-income projects, the 29-building Throgs Neck development on the easternmost peninsula of the Bronx and the 40-building Edenwald project in the northeast, provoked the biggest outcry because of their location in large areas of small private homes.

Foes of such housing wish there were more middle-income private developments such as the Metropolitan Life Insurance Co.'s massive Parkchester, the greatest single apartment community in the world—a city within a city, completed in 1940 and housing 40,000 persons on 266 acres formerly occupied by the Catholic Protectorate (rent: \$15 to \$18 a room monthly). Or the Equitable Life Assurance Society's Fordham Hill project built in 1951 for 118 families (rent: \$30 to \$37).

The biggest growth of private homes has been in the northern and northeastern areas that retain substantial suburban characteristics.

A major change in the making in the East Bronx is the development of the Bronx Municipal Hospital Center on 63 acres. Two hospitals, the Nathan B. Van Etten and the Abraham Jacobi, are open. The Albert Einstein College of Medicine of Yeshiva University is scheduled to start its first class in September, and a vast complex of medical institutions is planned for the site at Pelham Parkway and Eastchester Road.

Much of the Bronx suburban character is preserved by her famous parks—Pelham, Van Cortlandt, and Bronx—accounting for almost 17 percent of the borough's land area.

The last quarter century has seen:

The Bronx Zoo take its lions and apes out of cages and put them in a simulated natural habitat; the Bronx Botanical Garden spend more than \$3 million to maintain itself as one of the foremost institutions of its kind in the world; 31 new public elementary and junior high schools and 4 new high schools; Orchard Beach improved.

Hunter College become coeducational, with a 4- instead of 2-year curriculum; Fordham, Manhattan College, New York University, the College of Mount St. Vincent grow, and the Merchant Marine Academy become the State University Maritime College, enlarging the reputation of the Bronx as the Borough of Universities.

The Eighth Avenue subway reach into the upper Bronx, the Henry Hudson and Hutchinson River Parkways built and the Bronx River Parkway reconstructed in part, the Cross Bronx Expressway started as major traffic arteries to and around the Bronx, and Major Deegan Boulevard built toward eventual connection with the New York State Thruway.

Fordham Road developed into one of the biggest retail business centers in the city and City Island's boat industry turn from servicing yachts of the Vanderbilts and Pulitzers to smaller pleasure craft.

But overriding these changes are the deep social conflicts and the shifting population. Negro leaders predict the Bronx will make its adjustment to new groups as it did to the old.

What does Mrs. Berg, as a delineator of a substantial segment of Bronx character, think of the situation? Her view is this: Her fictional Jake Goldberg would have prospered in the garment trade. No longer would Molly lean out a window to yell across an apartment court, "Yoohoo, Mrs. Bloom." They would have followed the trend. They would have moved as, indeed, Mrs. Berg herself has—to Westchester

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#### DOWNTOWN BROOKLYN GLISTENS

Transformation, in Few Years Since War, Tops Rest of New York

(By Charles Grutzner)

The recent history of downtown Brooklyn has been written by steam shovels and riveting guns.

No other part of New York City has undergone as much outward change since World War II as the area spreading south and east from the Brooklyn Bridge. And more vast alterations are underway.

Aside from its share of public housing, new schools, superhighways, and other construction, such as has changed the face of much of New York, downtown Brooklyn is in the throes of wholesale transformation for its civic center.

This king-size project is not just another cluster of public buildings. Involving \$125 million in public, quasi-public, and private funds, it covers 130 acres in three locations.

Already constructed in the Brooklyn Bridge Plaza, cleared of the barnlike elevated train sheds, slum dwellings, and cheap hotels, is S. Parkes Cadman Plaza Park and its \$500,000 war memorial community house built by popular sub-

scription. Adjoining it, Walt Whitman Park is under construction at a cost of \$250,000 and the \$750,000 Red Cross Building was opened 4 months ago.

Just beyond, structural work began 2 weeks ago on the \$17,300,000 Supreme Court Building. Near by, the \$3,758,500 Domestic Relations Court Building is 97-percent finished, and the city's \$2,300,000 welfare center is more than three-quarters completed.

Completion of the \$10,848,000 city prison for male adults, now at the halfway mark, will permit the razing of the ancient, vermin-infested, and often-condemned Raymond Street jail and the construction of a playground on the site.

#### OTHERS, JUST AS EXAMPLES

Nearby is the \$10 million Transit Authority Building, put up a few years ago, and the central offices of the board of education, in the former Elks Club Building. The Fulton Savings Bank recently opened its new \$1 million home on the site of the former Star burlesque theater.

These are just samplings of the civic center project, which includes relocation and expansion of several colleges, enlargement of Brooklyn Hospital, and upper-income housing built as savings bank and insurance company investments.

Brooklyn, formerly the Nation's third largest city, lost its entity on January 1, 1898, when it was annexed to New York as a borough. Within the last 25 years all its great newspapers—the Standard-Union, Brooklyn Times, Citizen, and a few months ago the Eagle—have disappeared. Today Brooklyn, population 2,800,000, is without a major paper of its own.

But anyone inclined to belittle its a-building civic center as a provincial boom is advised to hark to a non-Brooklynite, City Construction Coordinator Robert Moses.

"This civic center is to Brooklyn what the great cathedral and opera plazas are to European cities," says Mr. Moses. He adds that the completed center will "be as much the pride of Brooklyn as the Piazza San Marco is the pride of Venice and the Place de la Concorde the cynosure of Paris."

There have been many other significant changes—structural and human—in the west Brooklyn area that curves along the waterfront for 10 miles to an inland depth of 2 miles. This area extends from the Navy yard on the north to Bath Beach. It includes, beyond the downtown shopping and civic centers and Heights residential district, such diverse communities as Fort Greene, the Hill, Park Slope, Red Hook, Gowanus, Bay Ridge, Borough Park, and Bensonhurst.

Western Brooklyn had a population increase from 757,650 in 1930 to 789,400 last year. In that time, though, the number of white residents dwindled from 743,900 to 727,000. Twenty-five years ago, before the census tabbed Puerto Ricans as a separate group, the count of nonwhites was 13,745. The 1954 census lists 26,800 as nonwhite and another 35,600 as Puerto Rican.

On the basis of the 1950 Federal census no more than one-tenth of the families in this fat slice of Brooklyn have annual incomes in excess of \$5,000, about 60 percent live on \$3,000 to \$5,000, and 30 percent struggle on less than \$3,000. The greatest concentration of \$10,000-plus incomes is on Brooklyn Heights and along the Shore Road rim of Bay Ridge.

The Heights, long the center of Brooklyn's social and economic elite, has had a rather curious recent history. For more than a dozen years its upper crust has been contracting as Puerto Ricans and other low-income families pressed in on its borders. Some family mansions have been subdivided into warrens; some older apartment houses became hives of buzzing Spanish.

Some of the "first families" departed—to Park Avenue, Long Island, elsewhere. Loeser's, the Fulton Street department store that had catered to the carriage trade, went out of business in 1952.

The core of the Heights, while making some concessions to social and economic change, has retained much residential charm. Those who fled have been replaced by executives of new industries and of Wall Street concerns, only 4 minutes' distant by subway. There has developed a fine colony of artists, writers, sculptors—sort of Greenwich Village without tourist traps. There has been some upper-middle- and high-income private housing on the Heights recently, and more is planned.

Proud indeed is the Heights of its 5-year-old promenade, a cantilevered jut-out extending two-thirds of a mile, from Remsen to Middagh Streets, along the cliff overlooking the harbor, Manhattan's skyline, and the setting sun. The promenade is the third deck of the \$63-million Brooklyn-Queens Connecting

Highway, which, when finished, will run for 11 miles from the Brooklyn-Battery Tunnel into Queens. A large part of the highway is in use, with 26 playgrounds flanking the section between Red Hook and Brooklyn Bridge.

#### PASSING OF EL A BOON

Not all of western Brooklyn's new beauty is structural. There has been removal of old blemishes as well as fresh adornment. The grimy Fulton Street elevated railroad and the one that had kept sunlight off lower Flatbush Avenue and Fifth Avenue were taken away in the early 1940's, a few years after the IND subway reached Brooklyn.

Acres of Red Hook slums have been rubbled in the last dozen years to make way for the Battery Tunnel approaches. Some had been covered in the early years of the depression by shanties and packing-crate shelters, where defeated men stewed slumgullion. The city housing authority razed blocks of stubby tenements and boarding houses to erect, at a cost of \$16,492,000, Red Hook Houses—28 buildings housing 10,000 souls in 2,891 low-rent apartments.

After Red Hook Houses came other low-rent public projects in western Brooklyn. Fort Greene Houses provides homes for 12,500 persons in 35 buildings well spaced over 41 acres. This site once was "The Jungle"—a wilderness of poverty, squalor, disease, and crime. Gowanus Houses stand near the oil-coated Gowanus Canal, and Farragut Houses are near the navy yard. All told, the area got, since 1939, \$63,282,000 in public housing for 32,530 people, about 1 of every 24 residents.

Public housing has been only part of the answer to the problem of shelter. Concord Houses, downtown, financed by savings banks, and Clinton Hill Houses, an insurance company investment, are huge new middle- and upper-income projects. Two other luxury apartment developments, Kingview and University Towers, are to be built with private capital under a Federal-city land acquisition subsidy near the Fort Greene public housing.

#### MANY NEW APARTMENTS

There has been substantial recent private apartment building in Bay Ridge, which has developed a major shopping district along Fifth Avenue and in 86th Street.

Cultural progress in the last 25 years has outstripped west Brooklyn's modest population gain. The central public library, a gem of cleanline modern architecture at Grand Army Plaza, was opened in 1940. The Academy of Music, after years of financial difficulties, was bought in 1951 by the city and turned over to the Brooklyn Institute for Arts and Sciences for operation.

Modernized inside and out, its three principal theaters offer everything from ballet and opera to chess matches and science demonstrations. The 1954-55 season had an attendance of half a million, nearly 100,000 more than ever before. Extensive modernization of the Brooklyn Museum is under way.

Brooklyn Polytechnic Institute, second largest engineering college in the Nation, has acquired a whole block and buildings facing the civic center to bring its scattered facilities together in a \$3,500,000 expansion program. Long Island University has acquired 7½ acres adjoining its 11-story main building for expansion in the civic center area. Pratt Institute, at the eastern end of the greater civic center area, has begun a \$1,750,000 building program.

Changing times have brought industrial and business problems to western Brooklyn. Several big industries have moved away in recent years—Sperry Gyroscope and Mason Mints farther out on Long Island; American Safety Razor to Virginia; E. W. Bliss, machine tools, to the Midwest, to name just a few.

The chamber of commerce says it has found the main reason that industries leave Brooklyn is that they need room to expand. But many new small industries come to the area in order to expand.

Across west Brooklyn's docksides moves more than half of all the cargo, except bulk coal and oil, of the port of New York. The sprawling waterfront, long notorious for the shapeup and shakedown, has become—on the surface—a better place since 1953 legislation created the bistate waterfront commission.

Only last month the port authority announced its program for rebuilding 2 miles of this Brooklyn waterfront at a cost of \$85 million.

The Navy yard, vastly expanded when it took over Wallabout Market in World War II, will turn out the \$200 million carrier *Saratoga* in a few months. The keel was laid recently for another 60,000-tonner, the *Independence*. This

work will take up some of the slack from western Brooklyn's commercial shipyards.

The Fulton Street shopping district has gained 2 major department stores in the last 8 years and lost only Loeser's. Many millions have been spent in a series of store renovations since removal of the elevated structure. Abraham & Straus, the borough's biggest store, had its best year in Brooklyn in 1954. The entire half-mile shopping area produced a sales volume of well over \$200 million last year.

Brooklyn's boosters believe that the Civic Center and other public works will open an era of private development, especially west of lower Fulton Street, that will make this slice of the borough an even faster changing wonderland. But there is one improvement that Brooklyn—its official spokesmen, at any rate—wants no part of. That is Mr. Moses' plan for a bridge across the Narrows, from Bay Ridge to Staten Island. The approaches and shadows of such a span, say the borough's leaders, would ruin too many of its choicer residential acres.

#### SIX COMMUNITIES OF NORTHERN BROOKLYN

Area Has Had Big Population Shifts, but Is Still Drab

(By Emanuel Perimutter)

Drabness and decline. This describes the last quarter of a century in north and central Brooklyn—the old eastern district.

It is a vast, mostly brokendown, aged, and sprawling region, fanning out from the East River between the Queens line and the New York Naval Shipyard in Brooklyn. It takes in Greenpoint, Williamsburg, Bushwick, Ridgewood, Bedford-Stuyvesant, and Crown Heights.

Greenpoint, to the north, and Williamsburg, further south, begin at river's edge. They are flanked by the others to the east. Crown Heights, on the southern fringe of Bedford-Stuyvesant, is younger and more prosperous and actually closer to middleclass Flatbush in mode of life as well as location.

These six communities are geographically contiguous and spill into each other, but they might just as well be cities apart. There is little homogeneity about them. They differ racially, culturally, and in history. What has been common to most of them in recent decades is poverty and overcrowding. They are among New York's oldest settled areas, and the expanding city has treated them like the proverbial old shoe.

Income levels here are among the lowest in the metropolitan area. A broad estimate, based on 1950 official census figures, shows that about 42 percent of the families earn less than \$3,000 a year. Fifty-three percent have annual incomes of from \$3,000 to \$5,000. About 5 percent earn more than \$5,000. Families are large, and living conditions poor.

#### AREA'S POPULATION DECLINING

The overall population declined from 789,255 in 1930 to 767,400 in 1954. But for Bedford-Stuyvesant, which has added about 50,000 inhabitants in 25 years, the decline would have been greater. This area, once populated by wealthy families of Dutch and English background, has become the overcrowded repository for space-starved Negro migrants from Harlem and the poverty-stricken from the South. It has been settled also by many Negro emigrants from the British West Indies.

What happened to north and central Brooklyn was this: As residential dwellings began to deteriorate, the enterprising and those with good incomes moved to newly built houses in Bay Ridge, Flatbush, Bensonhurst, and elsewhere southward in the borough. They moved also to Queens and Long Island. Quality department stores and luxury retail establishments deserted the area with them.

Industrially the region has not suffered noticeably in the last two and a half decades. The proximity of Williamsburg, Greenpoint, and part of Bushwick to bridges, freight terminals, and marine facilities along the East River led early to the establishment of factories, lofts, and warehouses. They are still there.

Among the better known plants in the area are the Schaefer, Liebmann, Schlitz, and Piel breweries. The Charles Pfizer & Co., drug company; the Lewyt vacuum

cleaner factory; a Socony-Mobil refinery, and several other large plants are landmarks in the district.

#### PHYSICAL CHANGES REVIEWED

Some important physical changes have taken place in the last 25 years. The major ones:

The Fulton Street Elevated, cutting eastward through the heart of Bedford-Stuyvesant, was torn down. So was the Lexington Avenue El, which ran a parallel course deeper in the district.

The Eighth Avenue IND Subway's A train replaced the Fulton Street El, which used to end at Park Row. The new subway, extending to Washington Heights in Manhattan, helped to promote the movement of Negroes from Harlem to Bedford-Stuyvesant.

Another IND surway, the Brooklyn Crosstown line, was constructed. It provided direct underground transportation between downtown Brooklyn and Greenpoint, most of it through central Brooklyn and Williamsburg.

Five public housing developments were constructed, replacing slums in Bedford-Stuyvesant and Williamsburg and providing modern living quarters for 22,000 persons.

The Brooklyn-Queens Expressway, already in use in some sections and under construction in others, cut a winding path through most of Williamsburg and Greenpoint. This \$63 million highway, in close proximity to piers and manufacturing plants, links the 2 boroughs by means of 3-lane roadways in each direction.

Wallabout Market in Williamsburg, once a bustling produce terminal for Long Island and New Jersey farmers, was taken by the Government and added to the naval shipyard.

The Grand Street Ferry, which ran from Broadway, Williamsburg, to Manhattan's East Side, went out of business, the last of the East River ferries to bow to modern methods of transportation.

Of the six communities, Greenpoint has fared worst in the last 25 years.

The late Peter J. McGuinness, Democratic leader of Greenpoint, used to refer to his district as the garden spot of the universe. But even in his prime, 25 years ago, it was already a withered garden. It is a dreary area running down rapidly—a compound of ugly factories, warehouses, coal and lumberyards, oil tanks, ancient piers, crumbling framehouses and tenements, interlaced by narrow, winding streets.

From an early-century population peak of 80,000, Greenpoint has dwindled to fewer than 50,000. One new public school—and not even one public housing unit—has been erected there in the last 2½ decades.

Williamsburg, another old community, increased in population at the turn of the century when Jewish immigrants settled there to be near their brethren on Manhattan's East Side. They moved into the area in great numbers after the opening of the Williamsburg Bridge in 1903.

Then, like other old areas, it began losing inhabitants about 30 years ago. The decline has been slowed somewhat in the last 15 years by the erection of 3 public housing projects, which provide living quarters for 15,000 persons. One of the projects, Cooper Park Houses, draws tenants also from Greenpoint and Bushwick, since it borders the two districts.

Racial changes, too, have taken place in Williamsburg. Once it was almost solidly Jewish, but 20,000 Puerto Ricans have recently settled there, according to authorities in the area. Another population development has been the postwar settlement of 15,000 Orthodox Jews, refugees from Nazi persecution camps and other persecutions.

#### BUSHWICK'S POPULATION CHANGES

Bushwick, which was established by Peter Stuyvesant in 1661, has seen its predominantly German and Irish population supplanted by Italian. Many of the German families moved north and east to join other Germans in Ridgewood and in Glendale, Queens. Its political leaders, once German or Irish, are today Italian.

Both Bushwick and Ridgewood, its immediate neighbor, have stood still. Not one public school, hospital, or public housing unit has been built there in recent decades.

Bedford-Stuyvesant has experienced a metamorphosis somewhat similar to Harlem's. An area once almost entirely white, its population has grown from 200,000 to 250,000 persons, about 150,000 of them Negroes.

The Negroes began settling in Bedford-Stuyvesant in the depression, and they have continued to tax the area's housing facilities. To meet the needs of the arrivals, new public schools, playgrounds, and a health center were added to the district.

At first the Negro newcomers suffered from discrimination and segregation. Jobs were scarce for them and real estate and business groups urged homeowners not to sell to them. Slowly, but steadily, these prejudices were overcome.

The Negroes have repaired and modernized the area's old brownstone houses, and they have brought full membership to fine old churches that were about to close for lack of interest. Strenuous efforts are being made to solve such social problems as street crime and juvenile delinquency.

Crown Heights has not changed much. Some of its apartment houses and private dwellings have grown older, but new private houses have been erected near its southern border with Flatbush. George A. Wingate High School, a modernistic, banjo-shaped school, was opened there last January. Its students come from Crown Heights, Bedford-Stuyvesant, and East Flatbush. Its population is principally Jewish and Italian, with some recent Negro additions, businessmen and professionals.

#### IMPROVEMENTS UNDER WAY

Despite the general decline that north and central Brooklyn have experienced, improvements are under way. These include:

Two new health centers are under construction in the Bedford-Stuyvesant and Crown Heights districts. A health center for the Bushwick-Ridgewood district was approved in the 1955 city capital budget.

Under construction are a new laboratory and morgue building and other additions to Kings County Hospital, on the border of Flatbush and Crown Heights.

Approved, in planning or under construction are Bushwick Houses, which will accommodate 5,200 persons in Williamsburg; also Brevoort, Sumner, and an extension to Albany Houses, all in Bedford-Stuyvesant. The three Bedford-Stuyvesant projects will house 11,357 persons.

The board of estimates last year approved a building zone change that will permit Charles Pfizer & Co to proceed with plans for a \$5 million expansion of its pharmaceutical buildings.

Contracts have been awarded by the board of education for additions and improvements to Boys High School in Bedford-Stuyvesant, at a cost of \$500,000. Bushwick High School will be modernized and approved at a cost of \$2,480,000. Included in the city's budget for future consideration are improvements to Eastern District High School, Williamsburg, at a cost of \$2,218,000.

Three new elementary schools are being built and additions made to a fourth, all in Bedford-Stuyvesant and its border with Williamsburg. A new junior high school for Williamsburg was approved in the 1955 budget.

Civic, business, and political leaders in these Brooklyn communities feel that with financial help from city, State, and Federal agencies their areas can be rejuvenated in the same way as have other old districts in New York.

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#### CHANGES FROM FLATBUSH TO CONEY ISLAND

##### Once Dowdy Section and Population Is Acquiring Polish

(By Charles G. Bennett)

Much of the Flatbush-to-Coney Island region of Brooklyn, once staid and a bit frowzy at the edges, is growing up to be educated, alert, and sophisticated.

In the middle 1930's Brooklyn took its place among the boroughs having a municipal college campus, Brooklyn College, before then inadequately housed in scattered buildings in the downtown business district, moved into its own buildings on a tract at Bedford Avenue and Avenue H.

A recent report showed an enrollment of 8,112 day students and 12,017 night students, nearly up to Manhattan's City College.

For many years this physical plant of higher education in the heart of Flatbush was little changed. But recently expansion got under way.

The initial investment in the college buildings and site was about \$11 million. Last fall the city completed and put into use the \$4,700,000 Whitman Hall, the new college Arts and Student Center. Last October the board of estimate approved plans for a library extension building at a cost of \$2,482,000.

If all of this were not enough to establish the place of Flatbush as an educational center one could add the \$14 million basic sciences building of the State university's downstate medical center on Clarkson Avenue between New York and Brooklyn Avenues in Flatbush.

Now under construction, this 800-room, 11-story building will house the basic science department of the country's largest college of medicine when it is opened. The building, it is expected will be turned over to the trustees of the State university by June 1956.

Nor are the lower levels of education being forgotten in the Flatbush-to-Coney Island area.

There, since the end of World War II, the city has built 12 elementary and secondary schools. And, in the near future, work will begin on a \$2,600,000 modernization of Erasmus Hall High School on Flatbush Avenue, near Church Avenue, and on a \$6,900,000 high school for Sheepshead Bay.

#### EXPANSION IN HOUSING

For the entire area, maturity in education has gone hand-in-hand with population growth and an expansion in housing, both public and private. The shore parkway section of the Belt Parkway system, skirting much of the southern rim of the region, has been a vital factor in the housing growth.

As for Coney Island, now as for many years a haven for recreation seekers from far and wide, it is fast trading in its storied glitter for genuine glamour.

Between Flatbush and Coney Island, as the Brighton train of the B. M. T. subway line travels, Sheepshead Bay has maintained for the last quarter century its popularity with boating enthusiasts and others who like a typically shore atmosphere.

Excellent restaurants near or directly on the waterfront still tempt those who delight in shore dinners. At all times when weather permits, fishermen abound. Throughout the boating season the picturesque bay itself is dotted with pleasure craft.

A general street-widening and rehabilitation program carried out during the 1930's helped to keep Sheepshead Bay bright and shining.

Coney, formerly administered by the Brooklyn borough president, was taken over in 1938 by the parks department and its all-pervading commissioner, Robert Moses. He decided he wanted better conditions for the millions who visit the beach.

In 1940, three-fourths of a mile of boardwalk was moved 200 feet inshore, tremendous quantities of sand were pumped in and maintenance forces assigned. Tides no longer touched the boardwalk. In 1941, after the city acquired Brighton Beach, the boardwalk and beach were extended.

To the east of Coney Island, the Manhattan Beach section, for many years a private swimming development and later occupied by the Coast Guard, is being developed for park purposes. The area extending 1,700 feet east of Ocean Avenue and south of Oriental Boulevard—a 40-acre tract—is gradually becoming a bathing beach, including promenade and picnic and play areas.

The city is considering a proposal to take for park use a 2,000-foot existing waterfront walk, privately owned and known as the Esplanade. Assuming it is rebuilt as a connection between Manhattan and Brighton Beaches, it will complete a 3-mile waterfront promenade from the west end of Coney Island to the east end of Manhattan Beach.

A new aquarium now being built just off the boardwalk near West Eighth Street, is emerging as a symbol of the resurgence of Coney Island. Ground was broken October 24, 1954, for the first portion of the structure—a \$1,500,000 segment of the \$10 million ultimate building.

The aquarium—replacing the old one at the Battery which was closed October 1, 1941, to make way for the Brooklyn-Battery Tunnel—is a joint undertaking of the New York Zoological Society and the parks department. The section now being built is slated for completion in the early summer of 1956.

Also being built is a pedestrian ramp that Coney visitors may use to walk from the reconstructed West Eighth Street station of the B. M. T. subway to the aquarium.



Zoning drafted by the city planning commission under the leadership of Chairman John J. Bennett, is the key to many of the changes taking place at Coney Island. Through a new zoning pattern, new housing there is being encouraged. Honky-tonks are being confined to the traditional amusement area.

New housing is taking advantage of the welcome mat. A 634-apartment Gravesend Houses—a public housing project—is already in operation for low-income tenants.

The city housing authority is building a 534-unit Coney Island Houses for middle-income families. One more public housing project is in sight—the 1,200-apartment Luna Park Houses is slated to rise on the site of the burned-out amusement center, Luna Park, near West Eighth Street.

#### POPULATION IS GROWING

The population of the Flatbush-to-Coney Island region grew from 604,203 persons in 1930 to 796,300 persons at the end of 1954. Included in these figures was a white population that went up from 600,798 in 1930 to 787,300 in 1954, and a non-white population that grew from 3,405 in 1930 to 5,800 last year.

In the 25-year period Puerto Ricans moved into part of the area, with 3,200 living there at the end of 1954.

City statisticians estimate that 10 percent of the families in the area are in the upper-income bracket—5,000 a year and better. Some 38,000 families reported incomes of more than \$10,000. Eighty-three percent of the families are in the middle-income level, \$3,000 to \$5,000, a year, while 7 percent are low-income, living on less than \$3,000 a year.

In the last few years substantial apartment houses have sprung up in once remote territory made accessible largely by the Belt Parkway.

A majority of these have been single-building apartment houses accommodating about 100 families each. But some larger developments have sprung up. In the Marine Park area, at Gerritsen Avenue, Avenue U and Avenue W, there is Brigham Park, an 18-building cooperative housing 1,080 families.

Fred C. Trump, Brooklyn realty man, has erected Beach Haven, a 31-building private development north of the Belt Parkway and west of Ocean Parkway.

Nowhere has the spurt in housing been more dramatic than in the Sheephead Bay territory bounded roughly by Bedford Avenue, Shellbank Creek, Avenue U, and the bay itself. In 1930 this tract was largely farmland. It is now bristling with 1- and 2-family houses.

Along Ocean Avenue and in the Midwood and Flatbush areas there is a substantial amount of top middle-income housing with rentals near \$50 a room a month. Flatbush now, as 25 years ago, represents good, solid, almost suburban living, with many large, prosperous 1-family homes still in evidence.

More and more, however, apartment buildings have invaded Flatbush. Many garden apartments have appeared not only here, but also in Bensonhurst, Bath Beach and Coney Island.

In addition to the new developments at Coney Island, public housing already has been provided for 3,392 middle-income families in the Flatbush-to-Coney Island region. Also, 1,610 units are under construction in the area for middle-income families and 1,765 apartments for low-income families.

There are those who say that residential Flatbush has changed little over the years. In fact, Brooklyn Borough President John Cashmore recently wrote:

"From its beginning as a small hamlet more than 300 years ago, Flatbush has never failed to give expression to the spirit of good neighborliness and the Golden Rule."

Throughout the area progress has been marked in many fields. For 25 years the 1,792-acre Marine Park has been slowly emerging from a desolate tract to a filled-in play area complete with golf course, baseball diamonds, picnic groves, sitting spaces, and a boat basin. Much work remains to be done, but the long-awaited improvement is on its way.

The 394-acre Floyd Bennett Field (Municipal Airport No. 1) has been operated since May 26, 1941, by the United States Navy and other military units as a major service airfield. From 1931, when it was opened, to 1941 it was owned and operated by New York City, with sightseeing plane jaunts a specialty.

Many years ago Flatbush, the cradle of the \$1 billion motion-picture industry, lost out to Hollywood.

#### STUDIO IS BEING REVIVED

But now the old Flatbush Vitagraph Studio at Elm Avenue and East 15th Street will relive its old glory. The National Broadcasting Co. has spent \$3,500,-

000 to convert the sprawling structure, which in the early 1900's sheltered the beginner of big-scale production, into the largest in the network's nationwide chain of television studios. The studio will be used largely for color telecasting.

Two events recently have occurred in this Brooklyn region, which perhaps prove that the old and wornout must go, but that the popular will endure:

1. The old Brighton Theater at Ocean Parkway and Brighton Beach Avenue, once a gay amusement spot for a now vanished race of prosperous all-summer Brooklyn beach vacationists, was demolished 4 months ago to make way for a new apartment house.

2. Nathan's Famous, Inc., on Surf Avenue near Stillwell Avenue, has been dispensing hot dogs and other resort delicacies since 1916. Last July 6 the place commemorated a milestone in its business career—it sold its one hundred millionth frankfurter.

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#### SOUTHEASTERN BROOKLYN AREA

#### Canarsie Goes on a Building Spree as Brownsville Grows Shabbier

(By Murray Schumach)

Caught between a building boom and tenement deterioration, the southeast section of Brooklyn has become an exciting stage in the struggle of middle-class families to remain in the city.

In Canarsie, once known only as a lame vaudeville gag, hundreds of 1- and 2-family homes are sprouting faster than the tall grass to give middle-income groups a new foothold within the subway zone.

Some real-estate experts call this outbreak of brick and wood the beginning of the biggest building spree in Brooklyn since the twenties.

But in adjacent Brownsville-East New York, homeland in the thirties of the sadistic gang called Murder, Inc., the population continues to shrink. Though low-cost housing units are rising, large areas of private housing are deteriorating into unrelieved squalor. The flight of residents to Queens and Nassau Counties is greater than the influx of Negroes and Puerto Ricans.

In Canarsie, the chamber of commerce wonders how long the boom will last, and considers methods of controlling growth. In Brownsville-East New York, Abe Stark, president of the city council, pleads for the construction of publicly financed, middle-income houses to save the neighborhood.

#### ISOLATION OF PAST IS ENDED

Canarsie's prosperity has ended generations of virtual isolation. Behind its creeks, Canarsieans lived quietly, huddled in little communities of two-story homes among the wide stretches of marshland.

The pace of life was casual, meant for families that passed homes from father to son. It was land rich in legend, in which yarn spinners, modeled after the clam diggers and fishermen of the area, talked, as though it were last year, of the smart deal made by the Canarsie Indians in selling to the Dutch the Island of Manhattan, which they never owned.

Occasionally in talk, from the days of the early Dutch settlers to the Golden City Amusement Park of this century, there were visions of a new Canarsie. In the twenties, for instance, taverns became debating societies on the plan to make the area one of the world's great ports. But it was just talk.

Now the talking stage has passed, and hectic reality is here with clambering bricklayers, hammering carpenters, roaring bulldozers. Hardly a week passes without a roof being fixed to a new brick or wood home that will sell for about \$17,000. Lots that went begging 3 years ago at \$400 now bring \$2,200.

The population that remained almost stationary for 20 years around 35,000 has risen to 45,000 in less than 5 years.

#### TEMPO OF CITY MOVES IN

Along the Belt Parkway that traverses this area, cars turn off by the hundreds into Canarsie. Crowded buses from Canarsie to the IRT and BMT subways have become frequent.

The pioneers of the city's new frontier have changed the style of living. They have come with their brightly colored beach chairs to sit on patches of lawn

before picture windows and to bring to their Cape God, ranch, and split-level homes the tempo of the city.

Indicative of the Canarsie bonanza is a project undertaken by Waxman Bros., a Brooklyn building concern. The builders plan to erect 2,000 homes on 215 acres. Of 500 homes now under construction there, 400 have been sold, they say.

Public building in Canarsie also has swung toward middle-income groups. Though one housing project, Breukelen, was built for low-cost rentals, another, Glenwood, was for middle income, and so is Bayview, which is still only a steel skeleton at some points. These projects, between 3 and 8 stories high, are the only exceptions to the zoning regulations that limit buildings to 2 stories.

To cope with the anticipated population growth, three shopping centers have been planned. A huge farmer's market, with a spur to the Long Island Railroad, is in the area.

#### SHORE PARK IS PLANNED

Canarsieans, to retain the residential character of their neighborhood, have not encouraged the construction of factories. There are, however, some small plants in which 20 or 30 operators make dresses. Nearing completion is a spacious, two-story building for storage and distribution of drugs.

Even more ambitious than the building projects for Canarsie is the plan prepared by the department of parks. With characteristic determination, Commissioner of Parks Robert Moses had acquired the entire waterfront of Canarsie along Jamaica Bay.

What is now gray-brown sand will become white. The large belt of head-high marsh grass will become park and picnic areas. The waters will regain their blueness, ideal for swimming, boating, and fishing.

The plan is more realistic and closer to realization than it seems to those who can recall only the malodorous Canarsie of a couple of decades ago. The city's sewage plants have cleared up pollution to a great extent.

Canarsie could be another Jones Beach, with an added attraction. In Jamaica Bay the department of parks has converted several of the islands into bird sanctuaries that may already be the best in any American city.

A sample of the park department work along this waterfront is the spit of land known as the million-dollar pier. Here, during the city's heat spells, thousands bring their cars each day, often filling the limited parking area, so that the drivers and their families may enjoy the breeze, walk barefoot along the beach, or fish.

Canarsie, however, is still far from perfect. Big stretches of still undeveloped land are piled with junked cars, where smoke often rises as the vehicles are stripped by fire to salable metal skeletons.

One consistent lament among Canarsieans was summarized recently by Mrs. Louise Haslam, editor of the Canarsie Courier and often head of the local chamber of commerce.

"Wouldn't you know it," she said. "None of this money from building is being made by the local people. I guess we just never believed it would happen."

Desperation is the mood of most residents in the Brownsville-East New York section. The vast majority of inhabitants in this predominantly tenement area would, if they could, gladly follow tens of thousands of others who have gone to Nassau County and Queens.

Public officials say that apart from low-cost housing projects there has been little private building in this area since the twenties. Condemned buildings are not uncommon and many tenements seem ready to have boards hammered across the windows.

In spite of the gloomy future of this neighborhood, hundreds of elderly couples who had children and grandchildren in this vicinity refuse to sell their neat brick homes fronted with clipped hedges and magnolia trees. In the evenings, as they have for many years, they sit on porches or on the sidewalk, reading the Jewish Daily Forward and discussing world affairs and the influx of new peoples.

Mostly, though, the neighborhood is for the young and vigorous. As they did 25 years ago, youngsters still race through the streets or swim in Betsy Head Park. The language is still in the loud, heated style of the city slum. The street is still the living room of the tenement.

At the Hebrew Educational Society, a third generation of youngsters plays basketball in the substreet gymnasium and discusses cultural matters in the clubrooms. At the new Brownsville Boys Club the young fill the swimming pool, gymnasium and dance floors.

The change that has overtaken Brownsville-East New York is similar to that of other sections of the bursting city. This area, still about 80-percent Jewish, was almost entirely so 25 years ago. During the first 30 years of this century it drew Jews who wanted something better than the lower East Side of Manhattan or the Williamsburg tenements.

#### 25-YEAR DROP IN POPULATION

During the twenties, when the Crown Heights, East Flatbush, and Flatbush areas expanded, thousands moved from Brownsville to the newer homes. Since 1930 the population has declined steadily.

Negroes began to move into Brownsville during the last 15 years. They left Harlem and Negro sections of Brooklyn for the same reason that the Jews had left the lower East Side 25 years before. In recent years several thousand Puerto Ricans have settled there.

In spite of the increasing poverty of the area and its long reputation as a breeding place for crime, the Brownsville-East New York section now has the best record on juvenile delinquency among the 11 poorest areas of the city.

As it was 25 years ago, Pitkin Avenue is still the Fifth Avenue and Broadway of the section, though it is running down a bit at its western end. Belmont Avenue is still alive with pushcarts, and on Rockaway Avenue business people still hawk furniture and cemetery stones.

Most informed observers say the trend in Brownsville-East New York is unmistakable. City Councilman Sam Curtis, a lifelong resident of this area, is taking lessons in Spanish twice a week from a Puerto Rican.

"In 5 years," he says, "10 years at the most, this will be another Harlem."

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#### THE LONG ISLAND CITY AREA

Neighbors Retain Their 1930 Traits, With More Industries, Homes

(By Ira Henry Freeman)

The first ward of Queens—Long Island City, Astoria, and Sunnyside—is today pretty much what it was in 1930. Only more so, of course, like everything else in this rapidly growing county.

The changes in this part of Queens—along the East River and nearest to Manhattan—in the last generation have been of degree rather than kind. Long Island City remains an ugly, noisy, grimy heap of small factories, while almost all of Astoria and Sunnyside consists of a bedroom for family men who work in Long Island City or Manhattan. Most of the families are in the lower middle-income group, \$7 6 percent living on \$3,000 to \$5,000 a year.

The growth of the first ward has been evidenced by a rise in population from 219,470 to 266,875 in the last 25 years.

To house the newcomers, 4 public projects and 3 private developments have been erected, besides many small apartment houses and private homes

#### TWENTY-FIVE PUBLIC SCHOOLS IN AREA

The children require 25 public schools, of which 1 high school, 2 junior highs, and 6 elementary schools have been built since 1930. This year, a high school of aviation trades—aviation is Queens largest single industry—and another junior high school will be added.

The number of industrial plants has increased by 50 percent. New river crossings, the Triborough Bridge and Queens-Midtown Tunnel, pour 52 million vehicles a year through the area in an endless stream and disturb the peace of Calvary Cemetery.

Thanks to the boom during World War II and since, Long Island City is now the 10th greatest concentration of light industry in America. In less than 3 square miles, it has 2,400 factories, warehouses, and shops, or 65 percent of all Queens industries, as compared with 1,700 in 1930.

The diversity of products is bewildering. Long Island City turns out bread, brassieres, and bronze bushings, coffins, candy, and chemicals, house paints, face paint, food, and poisons, nylon hose, fire hose, and tens of thousand of other things. Since it is connected by rail and road with New England, upper New York State, and New Jersey, but yet outside the congested heart of Man-

hattan, Long Island City is an important distribution center for national concerns.

Newtown Creek, which divides Long Island City from Brooklyn, has become the busiest waterway for its length (4 miles) in the world. The smelly, viscous tidal stream last year floated more than 8 million tons of cargo, mostly oil to and from the big tanks that stud its banks. Also on the creek, incongruously, stands the largest live poultry market in the United States.

#### BRIDGE PLAZA TRAFFIC HUB

Queensboro Bridge Plaza is still the hub of vehicular traffic and rapid transit. This large, clamorous square is roofed by seven subway lines and walled by office and loft buildings with banks, beaneries, bars, and work-clothes stores on the ground floor.

Winrow B. Reed, manager of the Jackson Avenue branch of the Chemical Corn Exchange Bank, was born in 1894 in a country house where the piers of the Queensboro Bridge now stand.

"I remember ice skating on Long Pond there and hunting wild birds in Ravenswood as a boy," Mr Reed recalls. "Now it's worth your life to try to walk across Queens Plaza."

This year, more than 37 million trucks, buses, and cars will rumble through the plaza and over the bridge. The ferries to 34th and 92d Streets are long since gone. In 1931, an upper roadway was added to the bridge, which was built in 1909. Last June 13 the department of public works contacted for 2 more lanes on the upper deck at a cost of \$9,500,000.

Construction Coordinator Robert Moses, Borough President James A. Lundy, and others have proposed a \$21 million industrial redevelopment of 6 square blocks immediately south of the plaza. Under title I of the National Housing Act, the city and Federal Governments would acquire the land by condemnation and resell it to private interests for construction of modern commercial and industrial buildings.

Not to be outdone, the Queens Borough Chamber of Commerce has come up with a Zeckendorffian scheme for relieving vehicular and rapid-transit congestion at the bridge plaza.

The chamber would put a roof over the Sunnyside yards. The largest passenger rail yards in the world, they are 1½ miles long by a quarter mile wide and contain 99 tracks capable of storing 1,100 cars. Above the yards the chamber envisions a kind of super Grand Central Terminal for the IRT, BMT, and IND subways, the Pennsylvania, Long Island, and New York, New Haven & Hartford Railroads and boroughwide and long-distance bus lines.

There would be room, also, for a television studio center, a convention hall, a sports arena tripling Madison Square Garden in size, hotels, restaurants, theaters, shops, and offices.

The sports arena idea recalls Madison Square Garden Bowl on the northern rim of the Sunnyside Yards, where Primo Carnera won the heavyweight boxing crown from Jack Sharkey in 1933. During World War II, the real estate was converted to an Army post office, which it remains to this day.

All Manhattan-bound vehicles used to barge through the bridge plaza and over Queensboro Bridge. Trucks still prefer the toll-free span, but lighter cars now have been diverted to the Triborough Bridge and Queens-Midtown Tunnel.

Triborough Bridge, which links Astoria with Harlem and the Bronx via Randalls and Wards Islands, was opened in 1936. The first year saw 15 million cars use it, contrasted with 38 million in 1954.

The Queens-Midtown Tunnel, opened in 1940, affords better access to the heart of Manhattan. Last year, 14 million cars were clocked through it. The Queens-Midtown Expressway, the easterly approach to the tunnel, was opened as far as Maurice Avenue, Sunnyside, early last spring.

The Brooklyn-Queens Expressway, which links approaches to the tunnel with those to the Triborough Bridge, is all built except for 2 miles between St. Michael's and Mount Zion Cemeteries. However, this missing link is not scheduled for completion until 1958.

A \$22 million improvement in rapid transit will be completed by the end of this year. This will be a line feeding IND subway trains from Queens Plaza into the BMT tunnels under the East River at the foot of 60th Street. The IND, BMT, and IRT systems radiate from the plaza to Brooklyn, Queens, and Manhattan.

The first public housing project in the first ward was Queensbridge, finished in 1940. Its 96 red-brick buildings stand amid neat parks along the East River at a point just north of the Queensboro Bridge and look across at the white monoliths of New York Hospital.

N. J. Oswell, manager, says there are more Negroes and Puerto Ricans among the 10,500 tenants nowadays. He never has a vacancy long.

Astoria's population has grown from 117,664 in 1930 to an estimated 145,317 in 1955. Of the 47,403 increase in the first ward during that period, 27,653 was in Astoria alone.

Astoria Houses contributed nearly 5,000 persons to the rise when its 1,104 apartments were opened in 1951. Like Queensbridge, Astoria Houses are a subsidized, low-rent project. They occupy a waterfront corner where the East River joins Long Island Sound—just a little north of the Triborough Bridge.

Between Long Island City and Astoria, inland, Ravenswood Houses, for 2,166 families, and Queensview, for 730 families, were erected in 1951. Ravenswood is a public, middle-rent project, while the other is a private cooperative.

The biggest private housing development in Astoria is Marine Terrace, built in 1948. It takes in 4 square blocks on Shore Boulevard and has 1,388 garden apartments.

This and much more home building on vacant land, particularly since World War II, helped to enlarge from 2 to 6 blocks the retail shopping center along Steinway Street.

"We have stores of all the citywide chains of food, clothing, drug, and general merchandise companies now," boasts Edward Dangler, real-estate broker there since 1916. "Commercial property rents for as much as \$500 per front foot per year in the heart of Steinway Street. The Steinway station of the IND takes in 3,500,000 one-way fares per year."

#### UTILITY IS EXPANDING

Beyond the residential area, on the north shore of Astoria, the Consolidated Edison Co. is doubling the power of its generating plant. The first unit was set up there in 1953. By 1958, the Astoria plant, turning out 664,000 kilowatts, will be the largest in the Edison system and will supply much more than Astoria alone.

Nearby the city is building a \$40 million addition to the Bowery Bay sewage treatment plant. When the plant is finished in 1957, it will intercept sewage from a huge area of northern Queens, tripling the capacity of the original plant built in 1942.

Besides the great rail yards, Sunnyside is known for its garden apartments. The biggest developments to be built here since 1930 are Woodside Houses, a public, middle-rent project for 5,000 tenants, and Boulevard Gardens, a limited-dividend, private project for 956 families. They were constructed in 1949 and 1935, respectively.

In the depressed thirties, 60 percent of the original buyers of small homes in the 70-acre Sunnyside Gardens (opened in 1924) were evicted after foreclosure, despite riotous opposition. All is peaceful there today.

#### NORTH SHORE-CENTRAL QUEENS

A World of Tomorrow Is Taking Shape in "Fastest Growing" Area

By George Barrett

Only yesterday, in terms of eventful time, the North Shore-Central section of Queens provided a fanciful glimpse into the world of tomorrow. Sixteen years later the same Queens has shaped the dream projections of the World's Fair into reality: compact communities, multilevel sky lanes, and traffic torrents streaming through spiderweb patterns of concrete arteries.

To the 30 communities that make up most of residential Queens, the last quarter century has brought phenomenal growth. On ash dumps and meadows and country-club terraces great developments and small developments have sprouted in brick-and-steel profusion. Most of the mushrooming in mortar has occurred during the last few years.

Lying in the path of the exodus from her seam-bursting sister boroughs, cradled between two of the Nation's major airports, the Little Neck-Rosedale-

East Elmhurst compound of communities has earned for Queens her crown as the city's fastest growing borough. Boosters say more. They call Queens the Nation's fastest growing county.

#### "BOROUGH OF HOMES"

Along the sun-baked cement highways emigrees from Manhattan, Brooklyn, and the Bronx are moving by droves into paint-wet developments of the "borough of homes." Much of the shade of the North Shore-Central section disappeared with the uprooted trees, and life for the new residents is at first an eye-burning succession of images.

Consequently the uncluttered futurama-come-to-life comparison can be overdrawn. Cars still pile up on the graceful network of smooth highways. Desolate, undeveloped patches and even marshlands prompt skeptical second looks at a map to be sure the metropolis is still there. But the pattern of utilitarian communities abutting on an efficient crisscross of highways is discernible in central Queens perhaps more easily than in any other section of the city.

Once described as the "cornfields of Queens" by a mayor who saw no point in constructing a subway spur so far into the wilds, the central and northern parts of the borough have witnessed a population upsurge of 100 percent in the last 25 years. The total in the area now is about 1,050,000, and the experts predict a 12- to 15-percent growth in the next 2 decades.

Though many residents would scoff at the suggestion, they are among the country's earliest air-age dwellers. Since La Guardia Airport opened 16 years ago and New York International Airport at Idlewild began operations 7 years ago, Queens has become an air crossroads of the world. Aviation, with its \$94,801,000 in annual salaries, is the borough's biggest industry.

#### AIRLINERS ARE COMMONPLACE

Low-flying planes not so long ago provoked irritation or fear, but the roar of triple-tailed Constellations and double-decked Boeings (a plane lands or takes off at La Guardia every 3 minutes) apparently becomes a nuisance only when a favorite television program is drowned out.

No North Shore youngster would look up now at anything less than a Pogo XFY1. A matron living in Jackson Heights says she doesn't notice the planes any more, but she does wish sometimes that the "big ones would stop changing gears right over my house." Even 15 years ago a housing development in Woodside was giving its location not in miles from Manhattan but in hours from London.

S-55 helicopters flail their air-taxi routes between the two airports; pert-capped plane hostesses and stripe-sleeved pilots wear their tired commuter expressions as they leave their 2- and 3-room flats in Jackson Heights, Forest Hills, and Kew Gardens.

A 40-room air travelers' hotel, each room soundproofed, has just been opened next to La Guardia Airport, providing special rates for between-flight guests and a restaurant and snack bar open 20 hours a day.

It is the transit network on and under the ground, however, that has given the North Shore-Central section of Queens its great impetus. Much of the traffic into Queens is not so much for Queens as by way of Queens, as motorists seek swifter access to Long Island or other areas. But Queens keeps its full share.

In 1928 the Main Street, Flushing, spur of the IRT and BMT was opened, and 5 years later the IND line to Jackson Heights joined in the great haul to the wide-open spaces. The IND was extended to Kew Gardens in 1936 and, the next year, to Jamaica. The rush to Queens was on.

In about the same period the intricate network of bridges, tunnels, and parkways that connect Queens to the outside provinces was growing swiftly out of the girder-steering, sandhog and bulldozer stages. Following the opening of the Triborough Bridge in 1936 came the Marine Parkway Bridge a year later, and in 1939 the Bronx-Whitestone Bridge and the rebuilding of the Cross Bay Bridge. The next year the Queens-Midtown Tunnel provided another traffic channel.

Already the Bronx-Whitestone cannot handle its travel burden.

A \$93 million Throgs Neck Bridge has been planned for a site about 1 mile upstream. A \$24 million Midtown Highway connecting Queens Midtown Tunnel to Queens Boulevard is under construction, as is the \$45 million Horace Harding Expressway.

Little more than memory is left of the older sections, the stately homes, the private beaches that gave social tone to the North Shore. The days of the 250-foot steam yacht are gone, now there is what the yacht brokers call the poor man's yacht, the launch, small cruiser, outboard. There is no moaning, because more people have more boats, but there is an occasional cluck-clucking among venerable yachtsmen at the passing of craft such as J. P. Morgan's *Corsair* and Cyrus Curtis' *Lyndonia*.

Not all of Queens' stately past is gone. Flushing's 300-year-old Bowne House still stands; it was there that a group of freeholders defied Gov. Peter Stuyvesant's ban against Quaker meetings and announced they would welcome Quakers and any "sons of Adam who come in love among us." John Bowne was punished for his temerity, but he won his fight.

The area saw another experiment in equality only 7 years ago. In a place the Indians called Cha-meken, updated now to Jamaica, the United Nations housed 500 families from more than 50 nations—all religions, all races, all colors, all political concepts—in Parkway Village. The people got along fine. Many are still there, although about half have returned to their own countries or found homes more convenient to the world agency's Manhattan headquarters.

The sounds of the saw and hammer have not been stilled for several years in this booming area of Queens. To modern living Jackson Heights has offered the successful experiment of middle-income garden apartments, as well as the push-button elevator. In Bellerose, where a few years ago only a few streets had been cut through and wild flowers were for the taking, the two-story garden apartment dwellings were put up on a big scale. That pattern has been widely reproduced.

With the bulk of the area's population in the middle-income brackets (69 percent earns between \$3,000 and \$5,000) and 30 percent in the upper, or \$5,000-plus, level, most of the big housing projects have been privately developed for the middle- to high-income families. Nearly 30,000 persons have reported incomes of more than \$7,500, and most of these had incomes totaling more than \$10,000.

Typical of the developments now going up is the \$50 million project totaling 4,000 apartments in 18 buildings in Forest Hills North. Described as the largest privately sponsored development in the country, Park City is renting for a little less than \$35 a room, and all of the 2- to 4-room apartments in the first 6 buildings scheduled to be completed next November have already been rented.

On the other side of the tracks, in Forest Hills proper, centering on the English Tudor inn and station, the exclusive large-home character has been preserved. The lawns have not been broken down to stamp size, and the quality of tennis—the world's best—is undiminished.

The mass construction in much of the North Shore-Central area has spoiled what was once a small-fry paradise. Corner lots and meadows where sandlot ball games were played have disappeared beneath brick and concrete or parked cars. But the new developments are more and more meeting the needs of the youngsters, with special play areas, and the whole of Queens abounds in huge parks.

The influx of youngsters has added a \$15 million item in this year's Queens budget just for new grade schools, and several \$7 million high schools have just been built or are proposed.

Samples of the construction that can be seen, in addition to the housing developments and highway improvements, are these projects in far-separated spots of the North Shore-Central region:

The first Gothic graystone unit in the \$25 million project of St. John's University at Flushing-Hillcrest. The liberal arts building, the first of 13 buildings planned for the Queens division of the school, will open in September with 1,670 students.

The \$13,800,000 Criminal Courts Building at the Queens municipal center in Kew Gardens.

The \$26 million Elmhurst General Hospital, slated for completion early next year, and a \$5 million annex opening at Queens General Hospital in 1957.

The region has gone through a major upheaval, and changes come so quickly that residents of a year's standing are comparative oldsters in their communities. But nobody has lost his sense of perspective, with all the advances toward highly utilitarian towns and the construction of swift routes of access to each other and beyond.

With their adaptation of some of the bright-chrome concepts of the world of tomorrow into today's living, the residents of the North Shore-Central region of



Queens still made sensibly sure that Normal Road was placed nowhere near a community called Utopia.

### GAPS IN QUEENS ARE FILLING UP

In Idlewild Area Future Is Most Dramatically Close to Present

(By Milton Bracker)

The spaces are filling up. That is the story of southern Queens as it has unfolded over the last 25 years.

It applies to the last gaps between houses in Woodhaven, Richmond Hill, and Ozone Park, to the land cleared for public housing in South Jamaica and to the private beach colony tipping Rockaway Point.

Most dramatically, it applies to the sandy stretches around New York International Airport at Idlewild. For while current operations—more than 100,000 flights and nearly 3 million passengers in 1954—developed in only 7 years, the imprint of the future is already visible on the still naked ground near by.

The imprint—as if the foot of an unseen cubistic monster had set itself down long enough to depress and darken the fill—is unmistakable from the crystal overlook of the airport control tower.

#### FUTURE CLOSE TO PRESENT

Actually, the angular impression marks where tons of sand have been excavated for use as "surcharge" or preweighting on the foundation sites of other new units in the area. But the digging followed the exact lines of the base of the International Arrival Building. This will be the heart of the \$60-million passenger terminal, to be completed in 1957. Thus, at Idlewild today, it is difficult not to be aware of how close the future is to the present.

At the same time, changes in southern Queens since 1930 have by no means obliterated the past.

For example, in Ozone Park—an easy drive from the airport on the new Van Wyck Expressway—Frank and Tony Cuomo still run their truck farm. It is bounded on one side by the Aqueduct race track and on the other by a row of homes which, in effect, have the Cuomos' 35 acres as a backyard garden.

And nearer the Brooklyn line, the Balsam family still runs a 55-year-old dairy farm, where 200 Holsteins and Guernseys and at least 1 brown Swiss perform the timeless function of their breed. Only the temporarily indisposed cow ever gets out to pasture; that is, to a little open enclosure beyond the master barn, where she may be seen by startled passers-by.

In the thriving business center of Jamaica, past, present and future are inextricably intermingled. The First Presbyterian Church, built in 1662, is a block from Jamaica Avenue, where the frontage rental, according to the chamber of commerce, is now \$2,000 a foot.

#### INTERSECTING BUSINESS ARTERY

The last 25 years have brought an intersection business artery to Jamaica. It is 165th Street, which grew up around a modern bus terminal. Since 1947, it has housed a branch of Macy's a block through.

The old county courthouse was replaced by a massive stone structure in 1939, while the Gertz store—in 1911 a tiny ground-floor enterprise at the base of a dingy clapboard house—has grown into a veritable 7-story mountain, the dominant single landmark on Jamaica Avenue.

While shoppers from all over Queens and Nassau have been pouring an estimated \$300 million to \$400 million into the Jamaica retail center annually, the community itself has been adjusting to population changes.

As elsewhere in the Borough, the overall trend has been eastward. "They moved out on the island," Jamaicans will say, ignoring (like countless Brooklynites) that they, too, live on Long Island. But, in general, the shift has been of families in Brooklyn and southern Queens out to Nassau. Some of them have returned, in a sort of minor reversal of the tide. But for the most part their places around Jamaica have been taken by newcomers from Manhattan and the Bronx.

Thus, South Jamaica has steadily developed a Negro community of perhaps 40,000. For large numbers of its members, living has been improved by a series

of housing projects. More new housing—and controversy with it—are in prospect.

The New York City Housing Authority completed the unit called South Jamaica I in 1940. South Jamaica II followed last year. They have 1,048 apartments between them. There is also Merrick Park Gardens, a private cooperative for interracial tenants, dating to 1952.

#### NEW HOUSING APPROVED

Most recently, the city planning commission approved the earliest stages of plans for new low- and middle-income housing in the Baisley Park-Locust Manor section. This brought vociferous protest from civic groups in the area. A 19-word excerpt from remarks by Louis Childs, president of the Baisley Park Community League, shows up the kind of timeless stress and tension that have been exposed in Jamaica by population shifts.

"We have no juvenile delinquency now, no burglaries and no assaults," Mr. Childs exclaimed at city hall. "Are these what you are bringing us now?"

But more housing is definitely in store for South Jamaica. It is a reasonable possibility that, before long, the dusty sprawl of the Jamaica race track will house humans rather than thoroughbreds and that the most familiar sounds will be the gossip of the kitchen and the chatter of the doorstep, rather than the roars and groans of those who still think you can beat the horses.

For under the \$100 million supertrack plan announced last September, the 52-year-old Jamaica track would be razed. At the same time, Aqueduct would be kept in reserve, and possibly rebuilt. The patient brothers who farm the adjoining soil, which they rent from the Queens County Jockey Club, have already seen their sowings of lettuce, cauliflower, spinach, and fennel shrink as Aqueduct increased its parking space.

"Once it was 90 acres," Frank Cuomo said softly. He was perched on his idling tractor, surveying a delicate row of new tomatoes. "Next time, we'll have to go."

#### SUBWAY EXTENSIONS VITAL

No development in southern Queens over the last 25 years was more important than the continuance of the Independent subway from Kew Gardens to Jamaica in 1937. And no change is immediately more tangible than the extension of the IND from Brooklyn across Jamaica Bay to the Rockaways.

Not only has the underground "gone to sea," as the transit authority likes to put it. The geography and ecology of 18,000 marine acres are being altered. The construction already has added two islands to those clotting the bay and the very balance of nature is being readjusted.

For the subway project has brought an end to The Raunt, a once fashionable salt-water community right in the middle of the bay. The last resident, Mrs. Agnes Rafferty, rowed away last October. Most of the Raunters have resettled in nearby Howard Beach or Broad Channel, where they can still smell the water.

But with the ending of human habitation on The Raunt came an accent on the new proliferation of life in Jamaica Bay. Belgrass is thriving, black crown heron are incubating, and snowy egrets, last seen nesting here at the turn of the century, have winged their way back to the metropolitan area.

Many steps, including long-range pollution control, have made possible the conversion of the bay into a recreational area and a sanctuary for living things. For the parks department is, in effect, establishing a manmade Galapagos within the intimate borders of a great city.

The subway crossing will replace the old Long Island Railroad trestle, which is serving as a sort of backbone for the line. As you drive along the bay now the steel arms of cranes and dredges jut into the sky like symbols of the \$8,500,000 deal under which the city acquired the route.

#### LONGER RIDE IN OFFING

Beginning next summer, that same familiar subway token will take the passenger beyond the present Euclid Avenue terminal of the A train and out across the bay to the Rockaway Peninsula. Here the line will split, one spur going east to Far Rockaway (which the Long Island continues to serve via Jamaica) and the other west to Rockaway Park.

Just what the influx of subway riders will mean to the Rockaways is a matter of discussion along the beach and in the jangly cross streets of the peninsula.

The Rockaways are used to change, and not always for the best. In the coldest business terms, some property owners are inclined to feel that people who can spend only 15 cents to get to the resort are not likely to spend enough when they get there to revitalize the economy.

But there are others who urge that the Rockaways should forget the era when society leaders came by stagecoach from the Brooklyn ferry landing; forget the vanished hotels, like the Marine Pavilion and the Ocean House, and forget, for that matter, the disastrous land boom of 1925. Rockaway, according to this view, must recognize that it was destined to be an integral part of a city far greater than itself. And in terms of 1956, that means not weekend guests in leisurely inns but, apart from attracting seasonal residents, catering to the thousands and thousands of other residents of that city to whom the new subway link will be an adventure and a boon.

The population of the Rockaways has increased 80 percent since the thirties. As in so many parts of the city, the most obvious change has been in housing. The city housing authority opened Arverne Houses in 1951, Redfern in 1953, and Hammel last spring. All you have to do is look at pictures of the slums they replaced to know how badly they were needed.

There has arisen also the private year-round development known as Wave Crest Gardens, while new slum clearance, under varying auspices, already has been announced.

Rockaway still has a sort of ticktacktoe pattern of fine homes in the Bayswater section. A few old-time mansions along Seagirt Boulevard suggest the faded grandeur of Deal, N. J. But to one who does not know it well, Rockaway is likely to seem like a poor man's Miami Beach. In other terms, it is a sort of problem child—perhaps a maladjusted orphan in between adoptions.

This equivocal state applies in a limited sense to the Neponsit area, just below Rockaway Park. It is here that Robert Moses is leading a fight to add the site of the unused Neponsit Beach Hospital to the Riis Park development immediately adjoining to the west. Mr. Moses lost the first round of this dispute in the board of estimate to opponents headed by Controller Lawrence E. Gerosa. But public opinion has been building up behind Mr. Moses, who has alleged that some "extraordinary shenanigans" figure in the move to sell the site. The fight is not over.

Riis Park, developed largely during the thirties, although it was named for Jacob Riis back in 1915, already bears Mr. Moses' uncanny trademark. It is a perfect example of the kind of thing the natural geography of the peninsula suited it for, under proper development and maintenance. A day at Riis, under parks department supervision, is a joy.

As one moves toward the very tip of the Rockaways, only the Coast Guard station and Fort Tilden intervene between Riis Park and the Rockaway Point development, often called Breezy Point.

This is a wholly private summer colony. It has 2,700 homes now, as against 1,593 in 1928. Thus, even on the most remote tip of the improbable geography of southern Queens, the lesson of 25 years holds true: The space, like the lower half of any hour glass, is inexorably filling up.

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#### STATEN ISLAND AWAITS BRIDGE

#### Once Semirural Area Is Awakening to Era of Urban Growth

By George Horne

Staten Island is the city's borough of paradox.

It yearns for progress, yet, being insular, it shrinks from the invasion of strangers. Predominantly an isle of homes, it has residences that run the gamut from ancient clapboard and gingerbread to modern lawn-set mansions.

Alienated from the rest of the great metropolis by bay waters, small town in character, bucolic along much of its 36,000 acres, ranking among the top half-dozen cities in the country in per capita income, the Borough of Richmond has changed relatively little in the last 25 years.

The most striking thing the quarter century has done to the island community was to lead it, hesitant and reluctant, to the threshold of a new era of development and great promise.

For the islanders, the gulf between a sylvan past and bustling tomorrow will be spanned by the same \$220 million Narrows Bridge that is proposed as a link between Staten Island and Brooklyn.

In 1930 the population of the "baby" borough was 158,000. Last year it was 210,000. The rate of population increase in the last few years was 4.4 percent, more than twice that of the rest of the city.

#### BURGEONING OF NEW HOMES

Vast private housing and public construction programs are in prospect. Half of the island's 57 square miles is undeveloped. Of all the city's areas remaining to be developed, 60 percent lies in the island's meadows and on her wooded hills.

Property values are already rising and acres of land that 5 years ago were distant and unimproved are blossoming with new homes, almost all of which have been privately built, as distinguished from the development type of housing project.

Some of the building is on subdivided former farmland. A few years ago there were 35 farms covering 485 acres. There are only about 25 now. Development lure and blighting fumes wafting across from fast-growing New Jersey industrial sites have conspired to diminish agricultural enterprise.

New people are coming to the island. It has always had a large population of Italian descent, centering chiefly in the South Shore section from Rosebank to South Beach. Scandinavians gravitate to Westerleigh, or southward down the island in Eltingville or Huguenot. There is a German area in Stapleton. Now a new Puerto Rican neighborhood is springing up around Mariners Harbor on the Kill van Kull.

In connection with the proposed Narrows Bridge, major connecting arterial thoroughfares of the parkway type are being mapped. They will cost \$90 million. Additional access highways will also be necessary. The entire plan is massive in concept—to match the dreams of planners for the future years. The most optimistic are predicting a population of 700,000 by 1975, but more conservative residents forecast slower development, envisioning a maximum of 450,000 20 years from now.

#### WHAT OTHER FOLKS DON'T KNOW

To some extent, the predictions of the island residents are flavored with hope. They traditionally remark that the average New York cousin is abysmally ignorant of the city's most beautiful borough and thinks of Staten Island as one more little knoll rising out of the waters of the bay, like Bedloe Island.

Most of the other New Yorkers have never been to the island, despite its world-famous 5-cent ferry ride, a journey known for scenic offerings and pleasant atmosphere. Those commuters who struggle for an hour or 90 minutes into Long Island or northward into Westchester or Connecticut look down their noses at the imagined difficulties of getting to Staten Island. But many of the 40,000 Richmond commuters work in the lower Manhattan area and walk to the ferry, reaching home in 45 or 50 minutes. And the ferries run all night.

The average New Yorker knows nothing of the island's lovely parks and drives, its beautiful residential areas and wooded hills—"the highest land on the coast from Maine to Florida." And Richmond residents, on the whole, have been content to leave it that way. Many viewed the final and terrible truth of the Narrows Bridge as the western Indians must have gazed on the first invading wagon train.

The island's per capita income is \$1,913. Ninety-three percent of the residents live in private dwellings and three-fourths of them own their homes. In recent years 5 public housing projects were completed, at a cost of \$28 million, providing 2,397 dwelling units.

Virtually all new construction in the last two decades has been residential, with industrial or commercial building centering on small shops and a few chainstores. The assessed valuation of real estate in 1954 was \$358,514,615. Last year, city records show, there were 773 new residential structures valued at \$9,059,690. All but about 60 were 1-family homes.

The island's industrial life has not kept pace with residential growth, but a new drive for business is meeting with some success. The largest single employer is Procter & Gamble, maker of detergent and edible products. The oil companies, on busy Arthur Kill facing New Jersey (one of the busiest waterways in the harbor area), are important to the island. The shipyards, repair shops, a dental-products factory, chemical plants, and a plasterboard plant are other basic employers.

As a port, the island's shoreline on the Narrows is in the doldrums. Ships by the hundreds pass from the quarantine station at Rosebank, but they don't stop. The terminal warehouse properties on the waterfront are still busy, but the majority of deepwater piers are idle. Except for two in use by the "Free Port," every city-owned dock available for commercial use is looking for a customer. The new bridge should revive this facet of industry.

The coming expansion will pose many difficult problems. The island needs new schools and more hospitals. The engineering and planning offices in Borough Hall, under Borough President Albert V. Maniscalco, are humming with activity in anticipation of these and other needs. Chief among the obstacles to orderly expansion are transport and the sewer problem. Both lag behind today's level of expansion.

Highways are inadequate and off-street parking areas simply aren't there. The city bus system carried 33,635,000 fares last year and lost \$2 million. In the last 25 years passenger volume on the electric rapid transit system fell from 14,783,000 to 4 million a year, owing for the most part to the developing island-wide bus system.

The three port authority bridges to New Jersey, opened between 1928 and 1931, accommodated 8 million vehicles in 1954. The privately run ferry to 69th Street, Brooklyn, handles about 2 million vehicles annually and the city ferry between Manhattan and the magnificent new \$21 million terminal in St. George carried another 1,500,000 cars and trucks last year.

Viewed in the aggregate, this volume of traffic gives the impression that Staten Island is merely a juncture on a vast turnpike over which Atlantic coast traffic rolls in a constant stream. To some extent this is true, and the coming bridge and expressway network, while multiplying the volume many times, will also take the through traffic off the old and inadequate local streets.

One minor traffic mystery involves the pedestrian passenger volume on the New York-St. George route. Last year it carried 22,428,517 fares. This represents a reduction of more than 6 million passengers since 1930.

One explanation of the decline may be the lost summer beach business. A generation ago South Beach was a mecca for summer visitors, but pollution in harbor waters ruined it. New sewage treatment plants are solving this problem and there is now in progress an \$8 million South Beach improvement project that will rival anything in the metropolitan area.

The sanitary system itself is being slowly expanded on the island, but against extraordinary obstacles. Much undersurface rock makes sewers expensive. On the other hand, shale and clay in many areas hamper the construction of septic tanks and cesspool drainage beds, making them very costly. Only a third of the island has sewers, but the population is concentrated along the north and east shores, hence roughly 70 percent of the homes are served by the system.

In these and other problems the borough is getting ready cooperation and encouragement from City Hall. Mayor Wagner has devoted a great deal of attention to the island and is interested in its park, school, and transport problems. He is deeply concerned in the plan to reconstruct the old village of Richmond-town as a historical site on the style of Williamsburg, Va. He told the Richmond people recently that he saw the infinite possibilities in the borough and wanted to see it flower into "the Westchester of New York City."

To the islander viewing the parent city across the bay, this all seems to represent "a new look." Staten Island feels that at long last it has been promoted from its traditional role as the city's stepchild.

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#### TO WESTCHESTER AND FAIRFIELD

#### Hinterlands to the North Get Big Office and Shopping Centers

By Merrill Folsom

The procession of big office and shopping centers into the commuters' hinterlands on the northern fringe of Metropolitan New York has grown from a straggly creep into a bandwagon parade.

The trend has converted some hitherto inviolate "bedroom" regions of Westchester County, N. Y., and its neighbor, Fairfield County, Conn., into front-office districts for corporations from Gotham.

To meet the housekeeping needs of the old and the new populations, markets have sprouted on the meadows.

Impacts are especially apparent in the southern half of Westchester's 448 square miles and in some transit centers of Fairfield's 633 square miles.

Commuters' heavens elsewhere in the two counties are flirting with commerce. Most hope to get some business that has chateau décor and aroma, will pay big taxes and demand few services. Tax officials and residents often are split on whether they see in this a white hope or a white elephant.

Commerce generally has won by compromise. And top bankers and peripatetic planners feel the surface has barely been scratched, compared with what is to come.

#### CHANGE IN TAXATION

Business is paying a constantly increasing proportion of the taxes. At White Plains the trade share has risen from 44.26 percent to 47.43 percent in the last 8 years.

Welcoming to that city a new multimillion-dollar telephone center, the mayor remarked: "The man you see running around here with a tapeline is not the assessor," and then quipped gleefully, "He's the assistant assessor."

But towns such as Scarsdale and Greenwich have tightened their zoning belts to exclude look-alike houses on small lots and industries that might threaten bucolic bliss. Scarsdale has just one industry—a lumber yard—and Greenwich has granted only minimum zoning variances for King Street estates that face a noisy airport.

While outmoded estates were being carved into corporate office centers and college campuses, lot-size requirements for homes were increased. The old-fashioned 5,000 square feet for a house have grown to 7,500 and 10,000. Half-acre plots have been rezoned to an acre, 2-acre plots to 4 acres. Stringent rules against smudgy factories and "incubator" houses that will not pay adequate taxes are the vogue.

Planners call this sanity, not snobbery. They say they are laying the legend that suburban growth must necessarily mean "Bronxification."

The avant-gardists in such zoning have entered untrodden legal fields. Hugh R. Pomeroy, Westchester planning director, believes the communities have achieved zoning progress by risking court reversals that a city the size of New York would not chance.

#### PATCHWORK QUILT

The result of all factors is a geopolitical patchwork quilt extending from the Hudson to the Housatonic. Alternating islands of homes and business reach the periphery of the commuter zone. Interspersed are 78 country clubs, long rows of beach resorts, lakes, estates, reservoirs, parklands up to 4,100 acres each.

Off-street metered parking, originated in White Plains, has spread to many communities and some station plazas. Churches have doubled their services and built new wings. Schools costing \$1 million to \$6 million each are new, but classroom shortages still exist. Sewage plant modernization has been started at a cost of \$25 million to reduce waterfront pollution.

Pay-as-you-go policies born in the depression are adhered to usually, except in school and sanitation projects. Greenwich recently became debt free, but few others have fully succeeded.

In all, 109 corporations have taken a look at this picture in the last 18 months and decided to build or expand big offices and plants in Westchester alone. Additional jobs will total 21,000.

The latest arrival is the International Business Machines Corp., which bought a 432-acre estate straddling the Westchester-Fairfield boundary just north of Kensico Reservoir. The manner in which opposition from neighbors was overcome followed a new pattern. A special zone for office and laboratory buildings was created. The corporation received permission to build campus-type structures on 10 percent of each landscaped plot, provided it supplied its own roads, parking, and special services.

#### CROSS COUNTY CENTER

Westchester is getting an unusual development on the Hudson. Just south of Peekskill, Consolidated Edison will build for \$55 million the first atomic energy plant for generating electricity.

Yonkers' employment and taxes are benefiting from the \$30 million Cross County Center. The city expects another \$313,000 in taxes from Yonkers Raceway this year, although neighbors are unhappy about the track's bedlam.

But in Tarrytown's Sleepy Hollow the tax ascendancy is the greatest. The New York Thruway and its \$60 million Hudson bridge, "gateway to Westchester," are luring so much new business that the local tax base is up 35 percent. New arrivals are a \$1 million training school, a \$8 million laboratory, a \$3,500,000 apartment house, a \$2 million shopping center and the first luxury motel of its kind.

New Rochelle expects similar impacts from the New England Thruway, but they have not yet taken shape. This artery, when completed through Fairfield in 3 years, should revitalize the industry of Bridgeport, Norwalk, and fringe areas.

A Stamford manufacturer reports that since moving from New York his employees have ceased to be "job hoppers." Since settling on 46 acres in White Plains last year, the General Foods headquarters has faced sporadic union attempts to organize its 1,300 employees. All have failed. This company reports that in the suburbs it finds 1 applicant in 4 suitable for employment, whereas in New York the ratio was 1 in 10.

Stamford has made history with its Ridgeway Shopping Center. An acrimonious battle preceded the opening of \$6,700,000 of stores in 1946. Now 86 percent of the neighbors approve the center. Property values are up and Stamford benefits \$69,000 a year.

#### MAGAZINE MOVE IN 1937

The Reader's Digest offices in a residential area near Chappaqua also made history. Opened in 1937 after opposition, the building now has severe critics among only 6 percent of the neighbors. Taxes of \$50,417 a year are paid by the magazine.

Connecticut communities along the thruway are eyeing these developments. Symbolic of the future may be Stratford's \$7 million Sikorsky helicopter plant, and \$1 million Shakespeare Festival Theater.

Westchester, established by the British in 1683, originally embraced much of Fairfield and the Bronx. The northern part of Westchester had more population 150 years ago than the southern part. Now it has only 5 percent. The railroads, just a century old, brought the change.

Twenty-five years ago modern Westchester was cast by the advent of its motor parkways, first in the world. Fairfield grew with the opening of its Merritt Parkway in 1938. Country estates for the carriage trade became outnumbered by homes of junior executives and professional workers.

More parkway extensions, the New York and the New England Thruways, plentiful automobiles, and new economic standards now are slowly increasing the population.

In 1930 Westchester's population was 520,947. By 1950 it had risen to 625,816, and last year it reached 683,400, including 40,000 Negroes who had come from the South largely in the depression years.

#### FORECAST FOR 1980

A new tabulation by the Westchester Planning Department, places today's population at 723,350. The department expects the figure to reach 1 million by 1980. Ardsley currently leads in growth with a 103 percent increase since 1950. New Rochelle heads the cities with a 23 percent rise in 5 years.

Fairfield County had 386,702 residents in 1930. By 1950 the figure was 504,342. Last year it reached 561,000, including 17,000 Negroes. The Connecticut Development Commission says the total will reach 808,000 in 1975.

Claiming more income together than any 1 of 24 States, Westchester and Fairfield are in the top brackets among the 3,007 counties of the Nation. Of the Westchester breadwinners, 27 percent earn up to \$3,000 a year, 30 percent get \$3,000 to \$5,000; 17 percent obtain \$5,000 to \$7,500, and 26 percent receive more than \$7,500. Twenty-five thousand persons get more than \$10,000.

In Fairfield 36 percent are paid less than \$3,000 a year, 38 percent are in the \$3,000-\$5,000 bracket, 9 percent get \$5,000 to \$7,500, and 17 percent exceed \$7,500. Fourteen thousand receive more than \$10,000.

Housing for the middle class is keeping pace. Of the new houses, 10.3 percent are in the \$10,000-\$15,000 range, 25.1 percent cost \$15,000 to \$18,000, and most of the others are under \$30,000. This is a far cry from the \$300,000 to \$2 million baronial estates developed between 1880 and 1925.

In the burgeoning Candlewood Lake area of Danbury the house-cost trend is upward. Summer bungalows are giving way to year-round homes. And a new resort lake is forming above a power company's dam near by.

Slum clearance is a pet of a potent minority. Fairfield's Stamford, Danbury, Darien, and Bridgeport have housing authorities. So do Westchester's Mount Vernon, New Rochelle, White Plains, Peekskill, Port Chester, Tarrytown, Yonkers, and Tuckahoe.

There is still room for all varieties of growth. In Fairfield 72 square miles are suitable for improvement. Westchester has 170 square miles awaiting development. Current Westchester zoning would permit a population increase to 3,200,000. Fairfield could stretch its figure even higher.

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#### NASSAU-SUFFOLK AREA OF LONG ISLAND

### Once Rural Counties Are Now Afflicted With Postwar Growing Pains

(By Edith Evans Asbury)

The face of Nassau County has changed drastically within the last 10 years. Suffolk, the other suburban county on Long Island, is also beginning to change rapidly. Statistics about either county are obsolete almost as soon as they are published. However, they show plainly that the two counties' metamorphosis will have far-reaching influence on the future of the city of New York.

For generations, Nassau and Suffolk offered summer and weekend rest and fun to New Yorkers. Today, the two counties offer year-round, low-cost homes within commuting distance of New York City jobs.

Thousands and thousands of families have left apartments in Brooklyn, Queens, the Bronx, and Manhattan to live in houses in Nassau. They continue to move there, and are beginning to overflow into Suffolk. Industry, too, is moving from the city to the two counties.

When the mass migration to Nassau began at the end of World War II in 1945, the natives, who call themselves "clam diggers," viewed it with amazement and a touch of regret. Almost overnight, farms, woods, and estates disappeared. In their place rose whole new communities, with hundreds of new small homes, new streets, new supermarkets, and shopping areas—and new problems.

#### POPULATION RISE CITED

In 1930, Nassau's population was 303,053. It is now estimated to be more than 1 million, and new homes are going up all over the county.

Residents of 10 years' standing are already becoming wistful about the good old days of their earlier years.

The bulk of the newcomers, however, have dug in. They compose a new citizenry that is remarkably uniform and utterly different from that existing in the usual established community or that which existed in the two counties prior to their arrival. Virtually all of the newcomers are between 25 and 35 years old, they are in the lower middle-income group, and the husbands are usually veterans of military service.

The first settlers in Nassau and Suffolk arrived in the 1640's.

Descendants of these and other pre-Revolutionary colonists went in for fishing, whaling, tanning, farming, and other prosperous enterprises. Long Island potatoes, Long Island ducks, and Long Island clams, lobster, and other shellfish became nationally known for their excellence—and still are.

The Whitneys, Morgans, Phippses, Igleharts, Vanderbilts, and others still maintain estates on the Gold Coast along the north shore. Many other estates, however, have been chopped into rows of one-family houses.

Originally, Nassau County was a part of Queens County. In 1899, the three eastern towns—Hempstead, North Hempstead, and Oyster Bay—voted to leave Queens. They adopted the name of Nassau, which once had been the legal name of the whole island. The county, 274 square miles in size, occupies one-sixth of Long Island. Suffolk spreads over two-thirds.

#### WHAT FLAG WOULD SHOW

An appropriate flag for the new, midcentury Nassau County would bear some symbol of the GI bill, which enabled World War II veterans to buy homes with little or no downpayment and spread the cost over 30 years. It would



show a building contractor rampant on a field of potatoes that was surrounded by golden nematodes. These parasites attacked Long Island potato plants in 1941. To curb them, the Federal Government in 1947 began paying farmers not to grow spuds. Had their land not been lying idle, farmers might not have been so willing to sell their acreage to the first new housing developers.

Today's flag would show an azure sky, so hungured after by city apartment dwellers, with an airplane in it to signify Nassau's role as the cradle of aviation. A stork also should be silhouetted in the sky.

"The stork should be our emblem out here," rueful young Clayton Brown, of Plainedge, said last week. He is a member of his local school board and up to his ears in problems created by the county's continuously soaring population.

Because most of the new families have young children, schools are the No. 1 problem in Nassau County. And because of the local governmental structure, the problem has to be wrestled with and solved by the young couples themselves.

The school tax is collected separately and administered in each of the 62 school districts by a locally elected, unpaid school board. The board's proposed school budget is presented at an annual public meeting. Hostile audiences, eager to avert a tax increase, challenge every item.

Mr. Brown's Plainedge District provides a vivid example of the impact of the ascending and young population on the schools.

In 1947, the district had only 1 school, a 2-room structure built as 1 room in 1878 and added to in 1915. A neat, white clapboarded building fronted with a narrow porch, it was adequate for the needs of the district's 35 children attending the first 5 grades.

In 1950, a new 7-room school was opened to provide additional classroom space. Enrollment in the first 6 grades had risen to 269.

By 1951, there were 628 children of elementary school age in the district. Last year, the district's school population was 3,690, of which 2,915 children were in kindergarten and the first 6 grades, 567 in junior high school, and 208 in high school. Nearly 5,000 children of all school ages are expected to enroll from the district next month—and new homes are still going up all over the district.

#### 4 SCHOOLS IN 7 YEARS

To keep up with this surging enrollment, the district school board has had to build, within the last 7 years, 4 new elementary schools containing 74 rooms. It also rents classroom space in churches. And the youngsters can be accommodated only at split sessions.

In 1953, the Plainedge District opened a new 26-room junior high school. It already is inadequate, and 10 new classrooms are being added. Construction of a \$3,500,000 senior high school, to accommodate 1,700 students, is to be voted on next month.

Other community services also have been severely strained by Nassau's mushrooming population. New sewage systems, firehouses, roads, bridges, airports, parks, churches, and hospitals have been constructed.

New shopping centers also have been erected. In Manhasset, there is the "Miracle Mile" of branches of New York City department stores and specialty stores.

Most of the land available for small-home developments in Nassau has been built on. Contractors are now dredging and filling the marshland, which soon will be built up. Their eyes are turning to Suffolk County, where housing developments already have begun to rise.

Suffolk County's 920 square miles still includes vast farmlands, open countryside, and small rural villages. Its population has risen much more slowly than Nassau County's; however, between 1950 and 1954, it increased by 100,000 to a total of 380,000.

#### TRAVEL TIME IS CUT

Because of the parkway and highway systems, residents of many Suffolk communities can reach Manhattan or Brooklyn in an hour. Weighed against the advantages of suburban living in a house, instead of in an apartment, this travel time looks less and less onerous to young city couples, especially those able to get a GI loan. The spillover already is pouring into Huntington and Babylon.

Between 1946 and 1952, industrial employment in the 2 counties increased by 103.6 percent, as compared with a national average of 12.1 percent, and it has grown steadily since.

New York City's industry, as well as its residents, is being lured to Nassau and Suffolk. Many of the counties' residents who used to offer violent opposition to the construction of industrial plants in their midst now welcome them as potential sources of taxes that will lessen their own tax burden.

The new industries also offer employment nearer home to residents of the two counties, with resultant benefits to community businesses and shops.

Ironically, some of the industries that moved from Brooklyn and Manhattan to escape New York City's taxes are beginning to grumble about Nassau's

The industrial boom is budding in Suffolk County, too. Airborn Instruments Laboratory, Inc. which recently built a \$5 million plant in Nassau, already has outgrown it. Two weeks ago, it announced plans for construction of a new plant in Suffolk.

#### EXPANSION ACROSS THE HUDSON

#### Bergen, Passaic, and Rockland Counties Feel Sharp Growing Pains

By William R. Conklin

Westward expansion of the New York metropolitan area is showing its most pronounced effects in Bergen, Rockland, and Passaic Counties.

Up to 1900 the tricounty area remained pretty much as it had been in the early days. Predominantly rural, the stretch was largely devoted to dairy and fruit farming, with industrial footholds in relatively few sections.

Passaic County took the lead in industrialization. Paterson's silk mills made it the silk city of America. The Passaic woolen and textile mills were internationally known. John Ryle founded the first successful silk factory in Paterson in 1840. For several years thereafter, Americans by the thousands planned to get rich by raising silkworms at home.

The Society for Establishing Useful Manufacturing had built a tiny ox-powered cotton mill in Paterson in 1798. It was a great day when, in 1834, the oxen gave way to waterpower from the Passaic River. By the late 1920's one-quarter of the county's labor force was in the textile industry.

#### BRIDGE CHANGED PICTURE

Before the George Washington Bridge opened in 1931, Bergen County was largely a residential and rural area. Rockland County, just to the north in New York State, was a combination of industrial-rural pursuits.

Rockland now expects that the \$60 million New York Thruway Bridge at South Nyack will open the county up as the Washington Bridge opened up Bergen. For several years a real estate boom has been on, with many owners holding property in the hope that values will go higher. Industrial expansion is increasing in Rockland, and the county is sufficiently land-wealthy to permit assemblage of large industrial sites.

Between 1920 and 1954 Bergen County's ratables rose from \$207 million to \$760 million, an increase of 250 percent. The statewide increase for the same period was 100 percent. Fort Lee's ratables rose from \$6 million to \$19 million; in Teaneck, the increase was from \$4 million to \$45 million, Cliffside Park rose from \$4 million to \$15 million. Hackensack, the county seat 5 miles west of the bridge, rose from \$16 million to \$52 million.

Bergen's population rose 200 percent in 24 years. A rural-residential area of 211,000 in 1931, it expanded to an industrial-residential community estimated at 641,000 in 1955.

Passaic County meantime showed only a 37 percent population growth, with 66 percent as the statewide increase. Rockland went from 59,599 in 1930 to 98,000 in 1954 and an estimated 101,200 this year.

Most of the new population came from New York. They were chiefly persons unsatisfied with apartment-house life, who wanted homes of their own and room for their children to play safely. Bergen has added \$1 billion in new homes in the last 15 years. The median family income is \$4,277 in Bergen, higher than Passaic's \$3,675, and Rockland's \$3,554.

As the population continued to swell, virtually every community in the tri-county area felt the need for more schools. School-building programs captured the front pages of local newspapers while most schools worked double sessions. Fairleigh Dickinson College, established in 1941 by 16 high-school principals in Bergen, quickly shot up to 250 subjects and 5,200 students.

Bergen County, with its heavy population, shows more need of new schools than either Passaic or Rockland. Virtually every one of Bergen's 70 municipalities has a major school problem. Many communities find it difficult to provide school space even by operating double shifts. Parochial schools in numerous places are using double sessions even for kindergarten children. Passaic, with a relatively stable population, feels less need for new schools. In Rockland new schools will become essential in the next decade.

#### LITTLE LAND LEFT FOR HOMES

By 1950 Bergen had 136,000 homes and only 1.5 percent of its land vacant. Passaic showed 77,000 homes and 1.1 percent of vacant land, and Rockland had 25,382 homes and 2.2 percent of its land vacant.

Such rapid expansion naturally brought traffic problems. The Port of New York Authority and the New Jersey Highway Department now are working on plans to add a lower deck to the George Washington Bridge. The plans include a proposal to build a \$60 million 6-lane Bergen County expressway from the bridge north to Clifton, between routes 4 and 46.

Route 4's present volume is 40,000 vehicles daily. Route 46 carries 46,000 a day. Plans call for extension of the New Jersey Turnpike north from Ridgefield Park to the New York State line. New Jersey's Garden State Parkway would be extended from its present terminus in Paramus, N. J., to Pearl River, in Rockland County. These extensions and the new expressway are designed to ease the load on north-south arteries.

Within 2 weeks New Jersey highway engineers expect to have engineering studies of 3 alternate expressway routes. Over strenuous local opposition, they hope to show that the new routes are essential to free-moving traffic.

Long-range planners foresee a huge increase in bridge traffic that must go somewhere. The present volume of 33 million vehicles annually on the George Washington Bridge is expected to rise to 41 million if the bridge is double-decked. By 1965 the annual estimate is 56 million vehicles. If a second Hudson crossing is built at 125th Street by 1965 it is expected to carry 24 million vehicles in its first year.

#### BERGEN COUNTY

Since 1920 Bergen's residential and industrial development has accelerated simultaneously, so that the county now has good representation in each field.

In 1946 the Alexander Summer Co., a realty concern, and a syndicate assembled 250 acres for the South Hackensack-Teterboro Industrial Terminal. Within 8 years the site has been occupied by 60 plants, employing 16,000 workers.

Industrial expansion in the immediate future is estimated at \$100 million, keeping pace with the billion dollars of housing added in the last 15 years.

New enterprises include the \$50 million Ford assembly plant, the company's largest, at Mahwah. The land cost ran to \$1,750,000, and the plant will employ 5,000 workers. To house some of them, 1,000 new homes are in view in the northwest corner of the county.

Fair Lawn Industrial Park is another project of 170 acres now in the making. A dozen other proposals for industrial centers are in various stages of development.

The majority of new industrial sites use one-story structures on one-third of the available ground space. Room for parking and expansion is thus assured.

In the retail field, the Allied Stores-Stern Bros. 100-acre shopping center is planned near the intersection of Route 4 and Route 17. In nearby Paramus the R. H. Macy-L. Bamberger shopping center is to go up on a 140-acre tract at the same intersection. Each of the huge retail centers will have parking space for 8,000 cars. The basic "all-in-one" principle of the country general store applies here, but on a gigantic scale.

#### ROCKLAND COUNTY

New City, the county seat, is a bustling community with an impressive granite courthouse and new stores being built along Main Street. The county, with its small population, has been industrial and agricultural rather than residential.

Called Rocky Land in the early days, the countryside is dominated by the Ramapo Mountains. High Tor, on which Maxwell Anderson based a play, rises south of Haverstraw.

Rockland, among the three counties, expects to expand most through the Throughway Bridge at South Nyack. Real estate is booming, with 800 housing

units added in 1950, 980 in 1953, and 1,600 last year. Population rose from 89,276 in 1950 to 101,200 this year, a gain of 13 4 percent.

Richard May, Jr., county planning director, estimates population at 130,000 in 1960, 150,000 by 1965, 160,000 in 1970, and 170,000 in 1975.

Rockland's institutional population includes 8,500 in Rockland State Hospital and 3,500 in Letchworth Village. One-third of the county is in Palisade Interstate Park. A \$250,000 motel is being built at Hillburn.

Lederle Laboratories, in Pearl River, is the county's largest industry, employing 4,500 in drug research and production. United States Gypsum is building a 500-man plant in Grassy Point. While Haverstraw clay bricks have passed out of the picture, the two quarries of New York Traprock Co. are flourishing. The residential and warehousing sections of old Camp Shanks have been sold for development as residential and industrial sites.

#### PASSAIC COUNTY

Passaic still wears the shabby coat of industrial grime its cities acquired from soft-coal-burning factories in the 1920's. In Paterson, man-made fibers have eliminated the silk industry that was once the city's pride. Last year 9 percent of Paterson's workers were unemployed, but the picture has brightened this year. New and varied industry is coming in—plastics, small manufacturing, television, cosmetics, kitchenware—to replace the silk factories.

Passaic City's once-flourishing woolen mills have declined, with much of their space rented to other enterprises. Strange new tenants occupy plants once devoted to dyeing and finishing fabrics.

Land poor, the eastern part of the county has no new industrial sites to offer. Expansion, if it comes, will be to the west. Wright Aeronautical, at Wood Ridge, employs 27,000, and is one of the largest enterprises in the county. Population and labor force have remained relatively constant, with no impressive gains in either.

Botany Woolen Mills cut its use of floor space from 2,500,000 square feet to 500,000, and leased the rest. Gera Mills, dealing in woollens, shut down, and a cosmetics manufacturer moved in. Many new industries consist of small manufacturers doing defense subcontracting. After a minor industrial revolution, Passaic County is slowly getting on its feet with diversified industry.

#### CENTRAL NEW JERSEY SUBURBS

##### Six Counties, Except for Hudson, Gain in Homes and Industries

(By George Cable Wright)

From the oil-soaked timbers of Weehawken's wharves, west to the muddy Musconetcong and south to the varicolored sand dunes and scrub pine that dot the Manasquan lies a vast segment of suburbia.

It comprises 1,538 square miles divided most unevenly into six counties—Hudson, Essex, Union, Middlesex, Monmouth, and Morris.

A quarter century has provided much of the area with a new facade. By far the larger portion of this arm of metropolitan New Jersey has witnessed a phenomenal growth over the 25-year period. Yet a few components, having approached a state of satiety, have shown little inclination to expand.

Senile Hudson alone is exhibiting definite signs of decadence. It is the sole suburban county whose population has slowly diminished over the years, whose industrial growth appears stymied.

Other factors make central Jersey distinct among suburban regions. Within its confines is a greater diversity of industry than in any comparable sector of the United States. Its 27,231 concerns produce 312 different types of manufactured articles and employ fully half of the area's labor force.

Its 2,811,773 residents make up 54 percent of the State's total population.

Industrial growth in most instances has been as significant as residential expansion. The number of concerns rose from 2,964 in 1918 to 12,294 at the close of World War II, then skyrocketed to the present figure. Employees in the establishments meanwhile increased from 342,522 in 1918 to 816,970 in 1954.

Other statistics reflect the rapid growth of much of this region. Its population almost doubled between 1900 and 1930 and then remained virtually static for a decade. In the last 15 years it has risen slightly more than 500,000. By 1960 the 6 counties are expected to absorb an additional 185,761 persons.

Similarly, municipalities in the 6 counties spent \$85,785,839 in 1946, in comparison with \$199,864,246 in 1954. To cope with housing needs, 173,750 new residential units were constructed between January 1, 1940, and December 31, 1953.

The number of registered passenger cars in the area advanced from 376,173 in 1930 to 864,455 in 1954. Retail sales swelled from \$910,808,000 in 1940 to \$3,247,392,000 in 1953.

This metamorphosis was nurtured to a large extent by seven facilities of the Port of New York Authority—the Holland and Lincoln Tunnels, the three bridges linking the area with Staten Island, Port Newark, and Newark Airport.

The New Jersey Turnpike has similarly contributed much to the growth of central Jersey. It annually draws more revenue than any comparable toll road east of the Mississippi. The artery runs southwest through Hudson, Essex, Union, Middlesex, and skirts a portion of Monmouth.

What the New Jersey Turnpike has accomplished for the area it traverses apparently will soon be duplicated by the Garden State Parkway. The latter was opened in its entirety July 1. It goes through suburban Essex and Newark, Union, Middlesex and Monmouth Counties.

From the days when central Jersey's hills and lowlands echoed the crackle of muskets and its deep-rutted roads were trod by ill-shod Continental troops until 1900, the area was predominantly rural.

Hudson County had its greatest growth from 1840 to 1900, when its population soared from 9,438 to 386,048. This was the period when the mansions of affluent New Yorkers in Jersey City, Bayonne, and Hoboken gave way to vast railroad yards and industrial plants.

Nine trunkline railroads moved in to establish terminals. Petroleum and heavy industry followed.

The era since 1930 has witnessed the rehabilitation of some old pier facilities and the erection of some new ones. Semiburbs North Hudson has doubled the number of its multiple and one-family residences.

Hudson County's abnormal population increase ended in 1930. It was accounted for primarily through a heavy immigration of Germans, Italians, and Irishmen. From 1930 to 1955 the population fell from 690,730 to 648,976. By 1960 a further drop to 645,590 is expected.

The rapid growth of Essex County began in the nineties with the appearance of the cacophonous trolley. Traversing such arteries as South Orange, Bloomfield, and Central Avenues, it opened up the suburban areas and made them attractive to New York commuters.

In the last quarter century the cars have been replaced by buses.

Newark, largest metropolis in the State, appears little different than in 1930, save for a more lofty skyline.

The city's population dropped from 442,337 in 1930 to 437,540 in 1950, then rose to 463,625 in 1955. This failure of Newark to expand more rapidly may be explained by its proximity to New York and by the outward movement of its inhabitants to suburban areas. It is still the center of the county's economic life and its productive output annually totals \$426 million.

The population of suburban Essex rose from 391,176 in 1930 to 489,288 in 1955. By 1960 a further sizable increase is expected.

Communities such as the Oranges, Montclair, Bloomfield, Maplewood, the Caldwells, and Livingston have been the scene of widespread building activity, since 1946 particularly.

Elizabeth, in adjoining Union County, like Newark, presents an example of the centrifugal movement of population from crowded cities to suburbs. After increasing its population from 52,130 in 1900 to 114,589 in 1930, Elizabeth began slowly to lose inhabitants. By 1950 it boasted but 112,817. But, again like Newark, it appears to have suffered little thereby.

The story of residential growth in Union County, gateway to the Raritan Valley, is strikingly similar to that in Essex. The primary difference lies in the vast number of new industries that have settled in Union County suburbs. Of the employable residents in the county, 32 percent are factory workers.

Union leads all metropolitan counties in the number of new plants established from 1946 to 1951. They total 277, with a construction value of \$25,563,000.

Industrial expansion in the Raritan Valley tripled the population of Middlesex County between 1900 and 1930. Since then an additional 30-percent increase has been recorded. Another 5 years is expected to produce a rise to 347,090. The rapid expansion has brought many changes in the physical characteristics of the county.

Nearly 34 percent of all its land area is still farmed. But thousands of acres have been plowed under and reclaimed for housing, particularly since World War II.

Another major change has been the new look adopted by local industry since World War II. Typical are the ultramodern landscaped subsidiaries erected here by Johnson & Johnson and the Studebaker assembly plant, just leased to the Volkswagen Company of Germany.

The industries of Middlesex range from copper smelting and oil refining to the manufacture of snuff. Perth Amboy now tops New Brunswick as the major industrial center.

Suburban areas such as Dunellen, Metuchen, and Highland Park are growing by leaps and bounds. The emphasis here, too, is on one-family dwellings.

Morris remained rural and a checkerboard of opulent and extensive estates until after the turn of the century. Its principal source of income was its profitable lake resorts. Shortly after World War I the pattern changed.

Large landholdings have since been cut up for building sites. From 1940 through 1953, 22,125 new dwelling units, most of them modest one-family homes, were erected in the county. A high percentage of the 185,900 Morris residents commute daily to New York. In 1930 the county, largest of the 6, had but 110,445 inhabitants.

Some 25 percent of its land area is still farmed. But this acreage threatens to be absorbed in the next few years by small industrial and manufacturing plants that have been making consistent inroads. Their number rose from 460 in 1945 to 1,521 in 1954.

There has also been a revival of iron mining in the county. Mines along forgotten are being worked again and are producing 500,000 tons of ore annually.

Like Morris, Monmouth is rapidly becoming a county of small homeowners, a sizable number of whom commute to New York. At the turn of the century it was predominantly a potato, dairy, and poultry region. Its chief income was its shore resorts, such as Asbury Park, Red Bank, and Long Branch.

Since 1930 the county's population has leaped from 147,209 to 272,474. Some 48 percent of its area is still farmed. But the advent of the Garden State Parkway is expected to attract to its rolling countryside increasing numbers of suburbanbound New Yorkers.

Horse racing, banned at the turn of the century, was again legalized in New Jersey in 1940. Shortly thereafter Monmouth Park and the Freehold Raceway were established in the county. They have since been patronized by countless thousands of New Yorkers because of proximity to the city.

The vast expansion in central Jersey has created myriad problems. Foremost are the need for adequate housing, schools, hospitals, municipal and county services and highways.

The housing problem has to a great extent been met. Although 279 miles of new county and State roads have been constructed since 1940, traffic density has skyrocketed.

Between 1946 and 1954 municipal expenditures rose in Essex from \$32,649,462 to \$69,833,864; in Hudson from \$29,607,289 to \$60,926,525. The rise in Middlesex was from \$5,501,820 to \$19,847,127, in Union, \$9,866,116 to \$27,907,467; in Morris, \$2,816,581 to \$7,950,187, and in Monmouth, \$5,344,571 to \$13,399,076.

Municipal indebtedness, meanwhile, shot upward in Essex, Monmouth, and Morris Counties. Middlesex managed to hold the line and Hudson and Union actually reduced their liabilities. The Essex municipal debt increased between 1948 and 1954 from \$24,765,720 to \$31,280,380 and that of Monmouth from \$5,493,740 to \$6,489,272. In Morris debt catapulted from \$474,000 to \$5,042,000.

If the school problem is to be met, it is estimated that \$257,888,571 will have to be spent on new structures between now and 1960.

The economic status of the residents of the region may perhaps be gaged from the following: Approximately 700,000 families own their own homes while but 500,000 rent. In Hudson there is a registered passenger automobile for every 3 persons 21 years old or over; in the other 5 counties, 1 for every 2 persons.

## INVESTIGATION OF HOUSING, 1955

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WEDNESDAY, OCTOBER 12, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*Philadelphia.*

The subcommittee met at 10 a. m., Hon. Albert Rains (chairman) presiding.

Present: Chairman Rains and Messrs. Barrett, O'Hara, Ashley, Gamble, and Widnall.

The CHAIRMAN. The committee will be in order.

A little later on we will have the Republican side of the committee present. We expect the Republican colleagues to show up a little later.

I want to make just a very brief statement for the record before we get into the hearing proper. This is the second field hearing of the Subcommittee on Housing, of the Committee on Banking and Currency, the first being held in New York last week.

The field which we have set aside for discussion in Philadelphia is very much the same as we looked into in New York, because both of them being large metropolitan centers they have in the main similar problems as regards housing. I should say that this committee is not taking a critical attitude toward any aspect of the housing program, or toward any official. We are interested only in getting the facts as they really are, as to what is happening to the housing program, as why it is not moving along faster. We are interested also in getting the recommendations of interested citizens who know the problems at the grassroots and recommendations to us that we might incorporate in future housing acts in the hope that we can write even a better housing law than we have in the past.

We want to express our appreciation to our esteemed colleague, Congressman Barrett, of Philadelphia, for his long and arduous work on our Banking and Currency Committee in the interest of housing, and we want him to know that as his colleagues we are delighted to be here with him in this beautiful City of Brotherly Love on this very beautiful day.

Without further ado, I will call as the first witness the distinguished mayor of the city of Philadelphia, and would like to say this, that last year the man who led the fight, nationwide, for housing for low-income groups was the mayor of the city of Philadelphia. Practically every day of the long, toilsome journey in that legislation we heard from the mayor of Philadelphia, in his capacity as the mayor of the

city, and in his capacity as a member of the American Municipal Association. I want to express to him personally my thanks and that of the Banking and Currency Committee for his aid and assistance. He appeared before our committee in the city of Washington, and we are delighted, Mr. Mayor, to have you as our first witness here in Philadelphia.

**STATEMENT OF HON. JOSEPH S. CLARK, JR., MAYOR, CITY OF PHILADELPHIA**

Mr. CLARK. Mr. Chairman, members of the committee, I am more than grateful to you, Congressman Rains, for the overgenerous statement about my participation and particularly grateful that the members of your committee were willing to come here and take a look at our Philadelphia situation. We have tried to line up the testimony in a way which will be helpful to you. We are interested in solid accomplishment, as I know you are, and not in scarehead lines, and we would like to proceed on as workmanlike a basis as we can, and I shall try, sir, to be as brief as I can, because I know you have many other witnesses.

The CHAIRMAN. You may proceed in any manner you desire.

Mr. CLARK. Thank you, sir.

I would like your permission to file with the committee a prepared statement of about 12 pages, and in the interests of brevity I would like to try to summarize it for you instead of just reading it.

The CHAIRMAN. The statement may be included in the record.

Mr. CLARK. Thank you, sir.

(The statement of Mayor Clark is as follows:)

**STATEMENT OF JOSEPH S. CLARK, JR., MAYOR OF PHILADELPHIA**

My name is Joseph S. Clark and, as mayor of Philadelphia, I certainly wish to express my own appreciation and that of my fellow residents for your holding this hearing here today. The problems with which you are concerning yourselves are pressing ones indeed in this city, and we welcome the opportunity to put before you the blunt facts on this score.

I want to state at once four "blunt facts" which I have had brought home to me by nearly 4 years of struggling with the problems of this city: (1) Of the 531,130 Philadelphia families and unrelated individuals who had incomes of less than \$5,000 during 1949, the vast majority still need, and cannot get, better housing; (2) this lack of adequate housing slows down and sometimes stymies every effort to renew the city; (3) contributing to the slowdown and delay in pushing forward with renewal efforts are excessive and restrictive Federal controls; and (4) the resulting slow rate of progress is barely enabling us to keep abreast of the rapid spread of slums and is not resulting in their actual cutback. Until these problems are solved and the program is stepped up, neither we nor the present administration in Washington can claim that we are on the way to conquering slums.

I do not wish to suggest that the Federal Government is solely responsible for our present difficulties in Philadelphia. This is an old city, and the twin problems of too much bad housing and not enough good have been with us for a long time. Unfortunately the city government was slow to face the facts, let alone act on them, and it is only in the past 3 or 4 years that we have truly mustered our forces for an all-out attack.

I am thinking of the years when city officials, both elected and appointed, stubbornly refused to admit the city's need for added housing. Of 1940, when the United States Housing Authority had actually earmarked \$19 million for construction of more than 3,000 public housing units here—and city council voted not to pass the cooperation agreement needed to obtain those funds. Of 1941-42, when the city's war housing committee flatly denied that Philadelphia would



need any permanent war housing—and thereby deprived Philadelphia of another 3,000 units which could still be used today. Of the years immediately following the war, when the acute housing shortage and the veterans' return so clearly spelled the need for special programs—and tremendous citizen pressure finally forced the city government to accept a little over half the 3,000 temporary structures which Philadelphia could have had.

Just as the city refused any action to supply new housing in those years, so also did it close its eyes to the burgeoning spread of blight. City officials took no leadership in the drive for large-scale redevelopment measures. They held to an outdated housing code and made no effort to enforce even such limited requirements as that included. In fact, the housing-code provisions—as was the case with zoning and other such regulations—were looked on as a means of furthering straight political power rather than as an avenue to better living for the people as a whole.

Those days are past, of course, and the recent few years of concentrated work have enabled Philadelphia to assess her needs, take stock of her resources, and arrive at a program geared to meet the needs as fast as the resources will permit. The tragedy is that this process has shown up, all too clearly, not only the vastness of the long-developing needs but the inadequacies of the resources—Federal, State, and local.

Probably the simplest way to measure the adequacy of our equipment is to outline the objectives which they must accomplish. Every professional in this field seems to have a fancy definition of goals, but I'll omit the frills and stick to unobscure if less imaginative fundamentals. For me, there are just three objectives:

- (1) Prevention of additional substandard housing and blighting environmental factors
- (2) Elimination of existing substandard housing and blighting factors.
- (3) Provision of adequate housing for all groups

#### *Prevention of additional blight*

I do not propose to spend much time on the first objective, for, by and large, the tools available are far more nearly adequate than those we have for working toward the other two.

Objectively (1) seems basically to fall into the categories: (a) maintenance of existing standard structures and (b) insurance that new structures and new city development are up to par. The city itself attends to the second category, through an extensive planning operation and the enforcement of a wide variety of planning, zoning, and subdivision regulations. Enforcement of the housing code is also a basic element in attaining the first category.

The most useful Federal tools available for these purposes are primarily the various loan and mortgage underwriting programs, plus some limited help in planning. There can be no doubt that these programs are a great help. I do not say that they could not be improved. The FHA loan insurance program could be made more useful if the limitations on the size and duration of improvement loans were raised. The standard FHA insurance mortgage program could be more effective if the administrators took a less cautious attitude toward insuring in older but perfectly good neighborhoods. While FHA insurance has contributed greatly to the large-scale production of good-quality housing, the stifling effects of excessive standardization are at once apparent. But you will be hearing other witnesses on these questions, and there is therefore no need for me to enlarge on them at this point.

In addition, of course, funds are available under title I of the Housing Act of 1949 for some facets of this operation, but, in Philadelphia at least, they are so much more urgently needed for accomplishing the second objective—elimination of existing blight—that we have directed most of our thinking along those lines.

#### *Elimination of existing blight*

This second objective falls into two categories: (a) the physical destruction of buildings too far gone and (b) the rehabilitation of those which can be saved.

Obviously the first and foremost Federal tool is the financial aid provided under title I—to help local authorities clear slum dwellings and blighting uses, and to help them encourage owners to fix up and maintain their properties. There is, in addition, the section 220 FHA mortgage insurance, designed to help those owners, once "encouraged," to obtain the funds to do the job. The city, for its part, adds to the Federal funds its own cash for actual redevelopment or for capital improvements in support of redevelopment. It also works to

bring about improvement in the private housing supply, both directly, by requiring that minimum standards be met, and indirectly, by stimulating voluntary rehabilitation beyond the minimum requirements. In theory, then, these tools should result in tearing down the hopeless slums and fixing up the usable structures

I say "in theory" because experience with these tools has shown them to be still inadequate, both in size and in concept.

Certainly the title I program has succeeded and will succeed in tearing out slums. But how many slums? If there is one thing that has been learned from the experience to date, it is the costliness of pulling down wornout structures. Of the first \$500 million appropriated for title I, Philadelphia secured allocation of the full \$30 million share permitted it by law. This will make possible eventual elimination of less than 4 percent of the 103,410 dwelling units in certified redevelopment areas at the time of the 1950 census. We have every hope of obtaining another \$30 million of the second \$500 million recently appropriated and using part of it to complete what has been started in the Southwest Temple and East Poplar areas. We are also hopeful that it may be possible for Federal officials to earmark our share for entire areas, rather than to approve funds for one project at a time, a practice which has complicated enormously the effort at comprehensive and well-balanced programing.

But suppose we do obtain a \$30 million allocation. And suppose the money is used not just for acquisition and demolition but for some of the other activities authorized by Congress in 1954 in an effort to stretch the money—such as writing down acquisition costs for private rehabilitations and planning code enforcement and voluntary rehabilitation campaign. Even if the money could be stretched thereby to cover 5 or 6 times the number of dwellings, we would still have barely scratched the surface of the problem as it added up in 1950, and I hate to think how many buildings have gone bad since then.

But we cannot assume, from present knowledge, that the use of Federal aid for these other activities would, in actuality, enable us to reach a larger number of dwellings than we would by straight redevelopment. We have had some experience with rehabilitation costs in Philadelphia and know that fixing up a house is not always cheaper than replacing it. Furthermore, there is the added uncertainty which reveals a major hole in this program for eliminating present blight: you can urge, and even legally require, the property owner to fix his property; you can buy it from him and offer it at a reduced cost to someone else to fix up; you can still get no improvement unless financing is forthcoming.

We are not yet sure that private lending interests will be willing to make financing available for these areas. It is still our hope that the section 220 insurance will succeed in overcoming some of the present reluctance of lenders to do so. For we in Philadelphia have not yet given up on use of section 220 for financing rehabilitation. We are even now working closely with the regional HHFA officials here in Philadelphia to that end, and we are most appreciative of their cooperation. They are handicapped however, by lack of clear-cut instructions from Washington on administering the program. To us it seems clear that, if section 220 is to serve the purposes for which it was intended, it must be administered in the framework of those purposes—and not in the framework of the normal FHA insurance operation.

There are a variety of other unknowns in the title I program revised in 1954—both with regard to how the program is to operate and what results it will produce. But the outcome will depend greatly on solution of several major problems which are "knowns."

The first of these goes back to that thorny question of Federal-local relations. When set up, the redevelopment program was intended to be primarily a local one, assisted federally but worked out to meet local problems, by the people who knew local problems. Congress reiterated that intent and indeed strengthened it—and tried to strengthen its application—in 1954. Yet control of the program continues to become, if anything, more centralized. Not only does this make for unforgivable delays in a struggle in which time is of the essence, but it tends to stifle the imagination, the experimentation, the development of special approaches to special problems which are needed if we are to forge this program into a truly effective weapon against blight.

I do not wish to belabor points which the director of the redevelopment authority will doubtless cover. But I just don't understand why our best efforts to work out the most effective projects and priorities for solving Philadelphia's problems must be constantly checked by the realization that "the Federal boys won't go for that" or "that won't meet Federal regulations." And I find it difficult to

see why it should take 2 years to process a title I project. Why must so many different people check and recheck the same points and sometimes, where different agencies are involved, come up with directly conflicting opinions? Do the administrators, in their excess of zeal, ever stop to think what is happening in the areas affected by a project which is hanging fire? Do they know that even poor housing can get far worse when the owners drop all pretence at maintenance because the property might be demolished. Something could doubtless be accomplished by increasing the budget allocated for administering title I. Certainly the shift from "redevelopment" to "renewal" warrants additional staff to deal with the additional complexities involved. But this would only partly alleviate the situation.

Another "known" problem is that of relocation. Obviously slum clearance cannot proceed without a supply of houses in to which slum residents can move. Obviously the supply must be larger than that which is demolished if we are not simply to produce more slums by repeating the overcrowding that presently exists. But lack of relocation housing also ties up efforts to enforce the housing code, or to bring about voluntary rehabilitation. It ties up capital improvements which lead to and support rehabilitation. What are we to do when we tell a family to move so as to make way for a park or playground and that family says "Where can we find another home within our means?"

#### *Adequate housing for all groups*

This, then, brings up directly the third objective cited—provision of adequate housing for all groups. And here the gaps in the broad program are even more glaring. Of 3 main groups in need of help, the problems of 2 are recognized but only meager help is given. The urgent situation of the third is not as yet even accepted.

The needs of minority groups—of all income levels—have been well-documented, and both Congress and the administration have recognized the problem. But the solutions offered—the voluntary home mortgage credit program and the readiness of FNMA to buy mortgages created under that program—have yet to produce results. Certainly that is so in Philadelphia, and we have here a commission on human relations actively attempting to improve minority housing conditions. I sometimes wonder if the Federal efforts do not represent somewhat the sending in of a squad of new recruits while the seasoned and respected army sits out the battle. FHA- and VA-underwritten mortgages account for half the mortgages being recorded these days. Why not extend the principle of nondiscrimination to them directly? Actually the very existence of the voluntary credit program seems to recognize and condone the practice of discrimination in the "normal" underwriting operations.

The housing needs of low-income families have also been discussed so long and so vociferously that the facts are well established: The continued need for low-cost housing since prices as well as incomes have risen; the failure of private enterprise to find a way to supply this market economically; the fact that the section 221 mortgage insurance program has not solved the problem, and indeed cannot in a city with the price levels prevalent in Philadelphia. Public housing still remains the only program yet devised which has proved it can meet the need, and I do indeed want to compliment Congress for its wisdom in going beyond the administration's proposals for the public housing program. But 45,000 units will not go far toward meeting the needs the country over. I cannot fail to mention the one figure which seems so telling that I cite it to whoever will listen. On the basis of the number of low-income families in substandard city sections, Philadelphia alone needs 70,000 public housing units.

Quantity is assuredly the most basic public housing issue at the present time. But there are others that are also pressing.

There is the important question of the needs of low-income individuals, particularly the aged. At present, we have absolutely nothing to offer this group of citizens. Why do we exclude the single aged from public housing?

Then there is the need for continuity to permit long-term planning. The cities are urged to adopt a well-integrated, long-term approach to the problem of urban renewal. Public housing is needed for relocation of displaced persons, for use in replacing blighted structures for enabling some reduction of density in congested areas. How can we plan a comprehensive program when we never know, from year to year, how much public housing to count on?

The problem is complicated still further by the necessity for Federal officials to devise new procedures for each year's program. Authorization for local authorities to proceed with the 1954-55 program was not given until 9 months

of the fiscal year were gone, and more than 3 months of this fiscal year have already passed without the Philadelphia Housing Authority's being able to start work on all the documents which must be filed to share in the newly authorized program.

This leads us back once more to the basic question of Federal regulation of a theoretically local program. Once more there are the endless stories, from cities throughout the country, of excessive delay, arbitrary actions, lack of clear assignment of responsibilities, and the general trend toward greater and greater centralization of control. Here, too, imagination and experimentation are being stifled. Philadelphia, for example, is most anxious to proceed with an experimental "cluster" public housing project—one in which units would be scattered throughout and blended with private housing. "Cluster" sites would help in many ways, but, in working up such a project, we inevitably run into difficulties with traditional PHA regulations. Are we to drop this possibility of a new contribution because the Federal regulations are inflexible?

Finally, we come to the housing problems of the great bulk of Americans who are in the middle-income bracket. Just what the income limits which define this group should be is much at issue these days. Personally I think the usual \$3,000-\$5,000 grouping is relatively meaningless now, and \$4,000-\$6,000, or even \$7,000 would be more realistic. In estimating needs, however, I have had to rely on 1950 census data for city income distribution and have therefore used the \$5,000 cut-off. With prices up as well as income in the intervening years, I think these estimates are not far off.

The problems of this group are not perhaps so striking as those encountered by groups still less well off or subjected to discrimination and their cause is not so vocally espoused. Some live in substandard dwellings, of course. But in addition are those occupying homes not yet in that condition but gradually becoming so, or gradually becoming obsolete. Others have just married and want a place of their own, or have added to their families since they first set up housekeeping. Some need to move because they have changed their jobs. For any of these and other reasons, these people are in need of housing.

What are their prospects for locating the necessary housing in Philadelphia? Well, if they can raise the cash downpayment and afford the monthly payments on a house priced at \$10,000 or more, they may be able to buy a new home. They may be able to get a used one at a somewhat lower price—but not much lower. Fine new apartments are also available—for a minimum of \$80 a month, and generally more if anything but a small amount of space is needed. Older rent-controlled dwellings would be within their means, of course, but, with a vacancy rate of 2.2 percent, what chance have they of getting one?

The fact is that moderate-priced dwellings are a scarce commodity these days, and this middle-income group can just not afford the higher priced housing currently being produced. They are caught in the vacuum between low-cost public housing, for which they are not eligible, and FHA-insured mortgages on houses which they cannot afford.

#### *Recommendations*

This brief review has, I hope, clarified the basic program lacks and administrative weaknesses which led me to my initial conclusion. Let me summarize, briefly, the action which I feel is needed for even a hope of success in conquering blight:

- (1) The funds available for urban renewal must be expanded—both in overall quantity and in their availability to those cities which have the greatest need for them. We should accept the fact that renewing our cities is one of the Nation's biggest immediate responsibilities and set aside funds in an amount comparable to that allocated other first-line objectives and geared to a long-term operation. In addition, cities which have demonstrated their need for and their willingness to utilize the aid should get top priority in its allocation. This would mean adjustment or removal of the provision limiting the allocation to an individual State to 10 percent (plus a potential share in an additional \$70 million). It might also mean a raising of the Federal share of project costs, for all cities, or for those with established records of accomplishment.

- (2) A new approach must somehow be instilled in those responsible for administering the section 220 program, particularly for rehabilitation financing. Philadelphia is willing, indeed anxious, to make the program work if it can possibly do so. I urge that FHA officials arrive at firm decisions on what standards must be met, and that they do so soon, so that the program may be put to the test. For, if section 220 will not work, then we must figure out, as quickly as

possible, whether it could somehow be revised to be effective or whether a new financing method must be devised.

(3) The public-housing program should also be made large enough to have some meaning and be put on a long-term basis. I think myself that 200,000 units a year for an indefinite period would not be unrealistic. Even the annual allocation of 135,000 units—plus 10,000 for the aged—which the Senate recently approved—would be meaningful. And by all means, let us open public housing to all those who need it.

(4) Every Federal tool for making adequate housing available to minority groups should be utilized. Incorporation of an "open" occupancy policy in all FHA and VA operations is the basic action called for. Intensified activity under the voluntary home mortgage credit program could then augment the basic policy. And possibly a special FNMA advance-commitment program could be used to supplement both.

(5) We must stop closing our eyes to the needs of middle-income persons and put our brains to work to devise some means of making adequate housing available to them, too. Maybe we need a special FNMA advance-commitment program here also, for houses selling below certain prices. Maybe we could create some special incentive which would lead to a more simplified and efficient building industry and thereby cut costs. Perhaps Government-run or Government-subsidized housing developments are the answer. We are an inventive and creative people. Let us set to work to solve this problem.

(6) Finally, the straitjacket of narrow, unimaginative, and centralized controls must somehow be cut away from these programs. I firmly believe that the Federal interest can be protected at the same time that the cities are given enough leeway to fit Federal aids to their own particular situations. The effort to pull all the operating agencies together under the authority of the HHFA was a step in the right direction. So also was the move to establish regional offices. Neither has as yet been fully implemented, however, and something more is clearly needed. The Kestnbaum study provides a starting point, and surely the appointment of Mr. Kestnbaum as the President's adviser on reorganization affords an excellent opportunity to take action which will really improve the situation. What is needed is a reexamination in detail, by the higher Washington authorities, of the entire network of relationships in this field, from the top Federal administrators right down the line to the operating agencies at the city level, and across the lines between agencies and programs as well.

May I thank you once again for taking the time and trouble to come here to Philadelphia. I know you will be kept busy listening to our troubles, but I hope that you will have some time to enjoy the city as well.

Mr. CLARK. I would like, if I might, sir, to call your attention, and that of the committee, to two charts which are displayed here in order that we can get a little bit of a perspective before we start as to just what we are talking about.

This is a map of the city of Philadelphia [indicating], and you will note that its length is along the Delaware River, which is our great port, and that it extends in a rather irregular shape with this western appendage here, and over here is our Schuylkill River, our other great river. William Penn's green country town was initially between the two rivers, right about in here, and we are sitting now right there [indicating].

The various colors on this map, I think, are significant for the purposes of your committee. The buff-colored areas—and you will note that there are not too many of them—are what we call stable housing areas. Those are areas where we think our housing is good, we think there is every prospect of keeping it that way. We don't need much governmental assistance at either the State, Federal, or local level.

The blue areas, and you will note that there are a good many of them, are areas where conservation programs are needed. That is housing which could easily slip into slum housing if we let it alone, and, generally speaking, it is middle-income and slightly above middle-income housing, but there is danger of deterioration, and might

I pause at this moment to say one of our problems, as well as that of most of the large cities in the country in the housing field arises from what we call the flight to the suburbs. That is to say, that many of our people in every sense the best people, from points of view of character, intelligence, and everything else, as we make a little money and get ahead in the world, and thank goodness hundreds of thousands of Americans are doing that today, they will move out of here and out around here [indicating], and they leave behind them a vacuum, and that vacuum is being filled largely with fine American citizens, but citizens who haven't had the same educational opportunities as those who they have displaced, many of them, frankly, sir, minority groups, and without impinging in any way on their patriotism, on their intelligence, on their fine abilities, they do cause housing problems which are greater than problems caused by those who left the area.

The third, and unhappily far too large area, is the dark brown. Those are our slums. They are bad. They are among the worst slums in the world, many of them.

The Philadelphia bandbox construction is made for slums, and I had hoped that your committee would have the opportunity to take a little tour around and see some of them. Perhaps at a later date you will be able to do so. But it is shocking. It cannot fail to shock you, and you will note that they are pretty well concentrated areas.

This here is what we call the north-central area. Here is the central-southern area, and then you will see another large area just west of the river, the Schuylkill River in west Philadelphia, with little cancers, really cancers in the body politic, which are going to spread if we cannot do something about it.

The yellow is one of the best things about Philadelphia. We are one of the very few large cities in the country which still has some vacant land, and land which, although it may not be vacant, which is attributed to farming. We have some fine farms in the northeast part of our town, and this is the area where we feel the planning for future development is essential to the healthy growth of the city, and I am so happy to be able to point out these areas.

The CHAIRMAN. Is the yellow open land?

Mr. CLARK. Pretty much open land, or farming land, or land of low economic use, because we haven't got sewers up there, or street improvements, or water, but land which is the hope for the future, as far as Philadelphia housing is concerned, and then the gray, and there is a lot of that, and we are glad to have that. That is nonresidential land. That represents the economic backbone of Philadelphia, largely industrial, to some extent commercial, but that is where we make the wealth on which the other people live.

With that preliminary explanation, sir, I would like to turn now to this chart which has to do with our redevelopment areas. This will show you in graphic form what we are now trying to do about the shelter problem in Philadelphia, and I would like to say, parenthetically, that our program here got off to a very slow start, and that that is one of our troubles. During the thirties when many other cities were taking advantage of Federal money to put in utilities, sewers, water, streets, and the like, with Federal money, we turned most of it down. Toward the end of the thirties, \$19 million of Federal money which would have been available for low-rental hous-

ing was turned down by the then administration, so that it wasn't really until after World War II that we began to get into a consideration of our needs in this whole shelter problem.

There were, to be sure, 2 or 3 small low-rental housing developments. We had some temporary war housing, but even there we didn't take advantage as other cities did of what could have been done. So we started behind the eight ball when we finally caught up with the fact that our whole urban health was going to disintegrate if we didn't get every cent of money we possibly could out of Federal Government and State government and tax ourselves as heavily as we dared to get at this fundamental problem which was a problem of traffic, transportation, the two threats to the urban survival of this city as a metropolitan center.

Now, the gray areas will show you where we have redevelopment projects actually under way, and I call to your attention, although it is a little hard to see—I wish I had it in better form—that by and large the redevelopment areas tend to coincide with the blighted areas over here [indicating]. In other words, we have tried to put our redevelopment at the place where it is most badly needed, and if you will look at these crosses here, here, here, and here [indicating], those are our low-rental housing projects.

The CHAIRMAN. The black crosses?

Mr. CLARK. Yes, the black ones are built. You cannot see the little circular ones quite as well. There are a few of them; they are under construction.

The CHAIRMAN. How many units actually are built?

Mr. CLARK. About 10,000.

You will note, sir, that many of these public-housing units have had of necessity to be placed in blighted areas. They are the most expensive. They are the least satisfactory because in the end you don't do much to decrease density, and you concentrate your people in an area where to a large extent they are cut off from other people in the community. There are sociological difficulties about building on vacant land. It is difficult to get approval of the legislative body to move on to vacant land, but our whole push has been to put as many of those housing projects on vacant land as we can, and you will see we have had some success, here, here, here, and to some extent here. Those are out of slum areas, and yet they are public housing projects of which we are pretty proud.

Now, sir, with your permission, I would like to go back to the Chair here and state at once to you that there are four blunt facts which I would like to press on the members of your committee with respect to our Philadelphia shelter situation. The first one is that out of the five-hundred-thirty-one-thousand-odd Philadelphia families, and unrelated individuals, who had incomes of less than \$5,000 a year in 1949—and I pause parenthetically to say, of course, the income is higher now because of inflation, prosperity, and other factors, but that is the last census figure we have to go on—531,000 families who had incomes of less than \$5,000 in 1949, the vast majority still need and cannot get better housing.

That is my first point.

The CHAIRMAN. You said under \$5,000?

Mr. CLARK. Yes, sir; \$5,000 or less.

By now I think it would be six or sixty-five hundred, or less.

The second fact is that this lack of adequate housing slows down and sometimes stymies every effort to renew the city.

The third fact is that contributing to the slowdown, and to the delay in pushing forward with renewal efforts excessive and restrictive Federal controls, are making a very real contribution.

To put it in simple language, there is too much red tape.

The CHAIRMAN. That is a very good statement.

Mr. CLARK. And the fourth basic fact is that as a result of the first 3 facts we are hardly keeping abreast with the rapid spread of slums, and we are not getting ahead of the program, and until these 4 problems are solved, and the program is stepped up, we are not conquering this thing about which you were kind enough to say we talked so much, and we did as much as we could, but I cannot say to you with candor that Philadelphia is licking its slum problem. It is not. And that is why I am so happy to have you gentlemen here today.

Now, what is the remedy? I think we can put that into three basic categories. The first thing is that we have got to prevent additional substandard housing and blighting environmental factors from spreading, and I will speak for a moment about that later.

The second is that we have got to eliminate our existing substandard housing and blighting factors, and the third is that we have got to provide adequate housing for all groups: preferential, elimination, provision of housing.

Now, on the first one, preferential, I won't spend much time. It is a problem of maintaining existing standard structures, and insuring that new structures and new city developments are up to par. Fundamentally, that is our problem.

The CHAIRMAN. That is the city problem, fundamentally?

Mr. CLARK. Yes. I am happy to say that the council has passed, and I signed about a year or so ago, what we think is a model, modern housing code. It went through many drafts. It had the benefit of our best brains. We are proud of it. It is on the books. Our problem is to get the money for inspectors to enforce it with compassion, because you cannot enforce it strictly and legally and throw people out on the street where they have no place to sleep, and that is our problem which I will not pretend we have solved, but with the assistance of our very able housing coordinator, and the commissioner of licenses and inspection, and I hope with even increased participation of the city council, as a result of budget recommendations I sent down to them a few weeks ago, we hope to have an adequate corps of inspectors to give us selective housing code enforcement in those areas where we are able to make provision for resettlement of displaced families, and do the thing on a compassionate basis.

We admit that that is our job, and we want to do it, and we are doing our best to get it done.

The most useful Federal tools to help us are primarily the various loan and mortgage underwriting programs, plus some limited help in planning. We think we have got a pretty good planning commission, and we think it is reasonably adequately financed, but there are those Federal aids in planning we would like to take advantage of because, as I have said to your committee, and other congressional committees before, we cities are always before you for a tincup hand-out. With 75 cents out of every dollar in taxes going to the Federal Government, we find it very difficult to raise the additional taxes



necessary to get ahead with this, as well as other problems and programs.

In addition, of course, funds are available under title I of the Housing Act of 1949 for some facets of this operation. But in Philadelphia we think we need those funds so much more for elimination that we are rather loathe to press to get them diverted to preferential, and as we will see in a minute there is a ceiling on what we can get, and, of course, there has to be a ceiling. I admit that.

Let me turn now to the second category, which is elimination of existing substandard housing and blighting factors.

Mr. BARRETT. Mr. Mayor, may I ask you this question: What percentage of your income do you give to the State of Pennsylvania?

Mr. CLARK. Twelve and a half cents out of the tax dollar goes to the State, 12½ cents to the city, and 75 cents to the Federal Government, and may I say, sir, parenthetically, I have been trying to beat some doors down at Harrisburg to get some State money for this program, but I think you, Congressman Barrett, are as aware as I with the problems confronting the Governor and the house up there with trying to get enough funds to build a civilized housing program for the State of Pennsylvania.

Speaking of the elimination of blight, there are two facets to that, the physical destruction of buildings too far gone, and the rehabilitation of those that can be saved. Of course, the first Federal tool there is the financial aid under title I to help local authorities to clear slum dwellings, and to help encourage owners to fix and maintain their property. There is in addition section 220, the FHA mortgage insurance provision, which is designed to help those owners once they are encouraged to get the funds to do the job. We add to the Federal funds our own cash for actual redevelopment under the 2 to 1 ratio, or for capital improvements in support of redevelopment, and we have a good many other contributions as part of our 6-year capital-improvement program, at least 1 major one of which we are going to do without Federal funds, and that is the provision for a food distribution center down in South Philadelphia, which only indirectly affects shelter, but will, if we can complete it, and I think we can, turn a dreadful dump and blighted area into a useful business and social purpose by having a food distribution service there. We are not getting Federal money for that. We are expecting to put about \$9 million of city money into it.

The CHAIRMAN. If I may interrupt, you mention 220, which is apartment housing, to be built where we have had slum clearance, and urban renewal. I understand there has not been any apartments built in the city of Philadelphia under that program; is that correct?

Mr. CLARK. It isn't working, sir; you are quite correct. We haven't given up on it yet, but I must say our experiences to date have been most discouraging in trying to get lenders and borrowers together to utilize 220. I don't know of anything Mr. Rafsky has worked harder on in the last 6 months than to coordinate that activity. He hasn't quit yet, but I must say it isn't working.

The CHAIRMAN. Later on in the hearing we hope to have some of those prospective sponsors before the committee in an effort to find out what is holding it up.

Mr. CLARK. Yes, sir.

Now, there isn't any doubt about the fact that this title I program has succeeded and will succeed in the future in tearing out slums, but the problem is, how many and how much. I think if there is one thing we have learned, it is that it is a terribly expensive and costly thing to tear down your slums and replace them with economic use which decrease density and yet are socially desirable.

Of the first \$500 million which was appropriated for title I, we got \$30 million, which was the most we could get under the law. We really reached with that tincup on that one. That will make possible eventually elimination of less than 4 percent of the 103,000 dwelling units in certified redevelopment areas—those are the areas in gray over there on the map—at the time of the 1950 census.

The CHAIRMAN. But are you going to use that in the brown areas, the slum areas, or in the gray areas?

Mr. CLARK. In the brown areas, the slum areas, sir. The gray areas are the industrial areas.

The CHAIRMAN. I see.

Mr. CLARK. They are going in the brown areas.

Now, we are also hopeful to get \$30 million more out of the last \$500 million which the Congress was generous enough to appropriate this spring. And in that way we think we can complete what we have already started in the Southwest Temple and East Poplar areas. That is the biggest blight. That is in there [indicating].

I wish you could take a little tour in there and see it, both because you will be depressed at the slums you will see—

The CHAIRMAN. Could I interrupt to ask you a question: About what size spot is that in blocks?

Mr. CLARK. Well, I think we figure we have all through the city 700 blocks which are substandard, and I would say that about two-fifths of them would be about in here. It is much the biggest area.

Mr. LAMMER. The Southwest Temple area is about 50 acres. I couldn't express it in terms of blocks; probably 20 blocks.

Mr. CLARK. But that is not the whole area, Frank.

The CHAIRMAN. Would you identify yourself for the record, please?

Mr. CLARK. Mr. Frank Lammer, executive director of the Philadelphia Redevelopment Authority.

Mr. LAMMER. In terms of acres, the projects on which we are currently working involve the clearance of possibly 200 acres in this area, and 300 acres down here with about 8 acres over in West Philadelphia.

The CHAIRMAN. What percentage of your crime, your fire and police expenditures of the city, your health, and all of that, are you compelled to spend in those brown areas? Have you got any idea, Mayor?

Mr. CLARK. I have a general idea, and I can support it with specific figures. I would be glad to file that with the record.

It is a disproportionate amount. It is way up, and we are convinced that from the point of view of the economy of the city government that slums take far more out in expenditures for crime prevention, and the rest, than they put back in. They are a real deficit-producing problem.

The CHAIRMAN. From the tax standpoint, it is the lowest income producing area, and for expenditure of city funds, it is the highest; isn't it?

Mr. CLARK. Correct.

Now, sir, let us assume for a moment that we get this extra \$30 million and use the money not just for acquisitions and demolition, but some of the other activities which the Congress in 1954 authorized in an effort to stretch the money, such as writing down the acquisition costs for private rehabilitation, and some money for voluntary rehabilitation in those blue areas I mentioned, and planning-code enforcement, because that takes a little money, too.

But even if this money could be stretched to cover 5 or 6 times the number of buildings, we would still have barely scratched the surface of the problem as it added up in 1950. In other words, the first \$30 million got rid of 4 percent of the slums. If we are smarter now and make it do better, maybe we could get rid of 6 percent more, but in the meanwhile how many rundown dwellings have become slums that we haven't been able to do much if anything about? That is why I say we are not really moving forward much, if any. The most we are doing is swimming fast enough to stay where we are, and not let the tide sweep us downstream further.

The CHAIRMAN. Speaking of finance, now, and I know the financial condition of most American cities, would you say that the city of Philadelphia is doing all it can to clear these slums and must have Federal aid?

Mr. CLARK. We are doing all we can with the present tax base. I have said it so often publicly that I guess it won't hurt during the month of October, which precedes the first Tuesday in November, that I guess I can say it before your committee: We have to increase the tax base, and I think I can say that will take place, but I think we are doing as much as any large city in America, but we are going to have to do more, but when we do do more we will still not have enough unless we can get further assistance from the State and particularly the Federal Government.

The CHAIRMAN. It must come 1 or 2 ways: It must come either through direct assistance in Federal-aid programs, slum assistance and housing programs, or it must come in the Federal Government and State governments moving out of certain tax fields and allowing the city to move in.

Mr. CLARK. Yes; and I am sure you have read the report on interrelationship of which Mr. Kestenbaum was chairman, and that report took a reasonable picture. I doubt that it is possible under modern situations to turn American taxes back. We would be happy to have them, but I rather despair of that being a practical solution to the problem.

Now, sir, I think I would like to skip some which is in my prepared statement in order to save some time and pass on to some matters which the director of the redevelopment authority will cover in greater detail, but I would like to say just an additional word on this subject of redtape in connection with the administration of the Federal program. I just don't understand why it is necessary in the legitimate effort of protecting the expenditure of Federal funds to have so many people pass in so many ways over so long a period of time in getting Federal projects approved and underway. It seems that every month or two in the impatience we have toward getting progress really going we come back to the answer that the Federal boys won't go for that, or that won't meet Federal regulations, and I don't quite see why it should take 2 years to process a title I project.

Why should so many different people have to check and recheck the same points and sometimes where different agencies are involved come up with directly conflicting opinions? Do the administrators in their excess of zeal ever stop to think what is happening in the areas affected by a project which is hanging fire? Do they know that even poor housing can get far worse when the owners drop all pretense at maintenance because the property might be demolished at some later time, and they hear rumors to the effect, or even facts are brought to their attention that applications are before Federal agencies which drag and drag and drag? In the meanwhile, they just forget about maintenance and rehabilitation, and the brown area spreads and gets worse.

The shift from redevelopment to renewal may well warrant additional Federal staff to deal with the additional complexities involved, but this would only partly alleviate the situation, and I would suggest for your committee careful consideration of a review of the entire administrative relationship between the Federal Government agencies and the local communities whereby we get approval of projects from completion to finish instead of saying, well, that is what you get for 1 year, and we don't know what the Congress is going to do the next year, and we cannot give you any assurance, which throws us back to piecemeal development, instead of project development, and has this other dreadful thing that we are always racing against time.

On the 1954 act which gave us 35,000 units of public housing we couldn't get the applications processed until almost 10 months of the fiscal year had gone by. Then we had to run very fast, and we just got under the wire.

I think we owe some gratitude to Federal officials who helped us do it. But there is no reason in the world that I can see why it has to take so long in the initial stages. It is my understanding that for the 45,000 units authorized in the 1955 spring we still aren't in shape to make any application because the Federal regulations are not ready.

Is that right?

Mr. RAFSKY. That is not quite correct. We have the initial work to do on the 45,000 projects.

Mr. CLARK. Is it not true we are apt to be in the same situation next spring that we are this spring in not being able to get under the wire?

Mr. RAFSKY. I think we will be in a better position because some of the problems raised last year have been solved.

The CHAIRMAN. I think I should say in extenuation of the circumstances for the agency there I wouldn't want it to appear that as members of the committee we were shirking any of our duties. One of the things you would like to recommend, and I would like to see happen, is a permanent continuing housing law which let's us know year after year what the deal is going to be with the exception of maybe step-up in number of units.

Would you make that recommendation to the committee?

Mr. CLARK. Very strongly, sir, and I would point out when we had it in 1949, and up to the time of the Korean war, we did pretty well.

The CHAIRMAN. Yes.

Mr. CLARK. There is one more factor I would just like to touch on quickly before I leave this particular aspect of it, and that is the question of relocation. Obviously slum clearance cannot proceed nor

can code enforcement proceed adequately without a supply of housing into which slum residents can move. Obviously, the supply must be larger than that which is demolished if we are not simply to produce more slums by repeating the overcrowding, and the excess density which presently exists. The lack of relocation housing also ties up efforts to enforce the housing code or to bring about voluntary rehabilitation. It ties up capital improvements which lead to and support rehabilitation.

What are we going to do when we tell a family to move so as to make way for a park or a playground, and that family says where can we go? And, of course, there you get which comes first, the chicken or the egg? But we have got to get houses built in other places if we are going to have effective slum clearance without cruelty.

Now, we have talked so long about the housing needs of low-income families that I am not going to burden the committee with another long speech on that, but I would just like to point out that the 45,000 units authorized this spring were in our judgment entirely inadequate to help us meet our problem. We want 70,000 units here in Philadelphia alone for the displacement of 70,000 families now living in substandard housing. My recommendation, as you gentlemen know, was for 200,000 a year. We might have been willing to settle for 135,000, but we saw how it went. But I would hope that you gentlemen would feel it possible at the next session of Congress to do more than just that 45,000.

THE CHAIRMAN. It is too small. It doesn't begin to meet the need.

MR. CLARK. It doesn't begin to meet the need.

Now, again, I would like to skip over some of the material in my formal statement which deals at greater length with this business of the permanent act.

MR. BARRETT. May I interrupt at this point: Are you including units for the aged in this suggested annual number?

MR. CLARK. Very much so, Congressman Barrett, and I was just about to come to that.

Why should we exclude from public housing that vast group of splendid citizens who have grown old and are alone, or there is a husband and wife whose children have grown up and go off, but are not in a position to support them? Some of our finest and best people in that category where the exigencies of the economics of the country have made it impossible for them to put aside the money which is necessary for a decent old age—I think we have a blindspot in that record, and we would very strongly urge that the act be amended so as to permit the admission into public housing units of aged people, single people, and, more particularly, we would like to try the experiment, perhaps, of building some cluster public housing which would be particularly planned for people in that category.

It occurs to me again to stress the obvious, that that is a blindspot which we would like to see remedied.

MR. BARRETT. When you came to Washington I recall, too, you indicated you were interested in homes for the paraplegics.

MR. CLARK. Yes, sir.

MR. BARRETT. And the handicapped.

MR. CLARK. The physically handicapped are another category which I think we might give special attention to. Their personal physi-

cal problems are such that you ought to be able to build shelter with consideration for those deficiencies. I think all of us here know the magnificent strides that the physically handicapped have made in getting themselves in a position to earn their own living, something like 33 percent of them are subject to rehabilitation. We are pretty proud of what we have been able to do around here in that regard, and I concur entirely, Congressman Barrett, in your suggestion.

One more point, and then I would like to leave some recommendations with your committee. There is a pretty much untouched field here in connection with the housing problems of the great bulk of Americans who are in the middle-income bracket, and who I included in the five hundred thirty-one thousand-odd family units at the beginning of my testimony.

The CHAIRMAN. What do you say in Philadelphia is the middle-income bracket?

MR. CLARK. I would say now it ought to be about \$6,500 down, but, of course, we are dealing with 1950 census figures which are the latest we have got, and I have compared the data as \$5,000 down with the idea that since 1949 and 1950, when the figures were put together, there has been an increase, as we mentioned a few moments ago.

The problems of this group are not as striking as those encountered by groups still less well off or subjected to discrimination, and their cause is not so vocally espoused, but that is where we are going to have to find the surplus housing which will break this vicious circle of not having any place to send these people that you want to have move out of the slums. Some of them, of course, live in substandard dwellings, but in addition, they are occupying homes that are not yet substandard. They are those below areas up there that I spoke about earlier, and they haven't got much prospect in Philadelphia of getting decent housing. If they can raise the cash downpayment, and afford the monthly payments on a house priced at \$10,000 or more, they might be able to buy a new home, but no new housing is being built in Philadelphia which they can finance, those are privately built new houses.

There are, of course, some fine apartments available, but the minimum rent is \$80 a month, and if they have more than a couple of children those apartments aren't feasible for them. To some extent there are used houses available, but the part that I would like to stress is that it is just not true that if you build new housing at a reasonably expensive level, \$10,000 or more, that there is a sort of a treadmill by which people will come out of worse housing and move into now, and the worst housing will be available for the group that is pressing below. It is too much of a pyramid. It doesn't work that way, and this old secondhand housing, the financing terms are so tough that in many, many instances it is impossible for people in the income brackets I have been speaking about to move into that kind of housing.

So what happens is that we get this housing broken up into apartments. What used to be a single home will become 2, 3, 4, sometimes 5 apartments. Our housing code is one way of stopping that, but it doesn't work too much. But what is happening all over Philadelphia is that we would have what used to be a fine single home, a little run down, from which the family will move into a new dwelling, and that old home will be broken into 2- or 3-family apartments, and that is where we are building the slums of the future, and the financing

situation is such that that is about all that can be done at the moment.

Now, that is particularly true with respect to our minority groups and that, of course, is a rather delicate subject, but I think we better face it, frankly. Partly as a result of this flight to the suburbs which I have been taking about, and partly because of economic and social conditions in Philadelphia which, frankly, we are rather proud of, we have had an enormous influx of Negroes into this community. We now have 400,000 Negroes in our population of slightly over 2 million. They are going to be fine citizens, but their economic status is such that they intensify this housing problem, and, in large part, those are the ones who are going into these broken-down single-family homes which are becoming apartments. That is where a great part of the congestion and the concentration in the slums takes place in Philadelphia.

Now, our building practices here—and I think we are among the most tolerant cities on the race question of any large city in the country—but our private building programs are such that we have been utterly and unable to persuade private builders to build any significant amount of new housing which is available for Negro occupancy, and while I know it is a delicate matter, nonetheless after great thought I would recommend that the Federal provisions for mortgage insurance contain a clause which would not make the insurance available if the insured and the borrower were practicing racial discrimination in connection with utilization of money for construction of housing. I don't know how else we are going to get shelter built for this enormous minority group within our borders, which with all respect to their fundamental soundness are nonetheless causing us very severe social and economic problems.

I want to tread gently on that, but it is a real problem, and I don't think we should ignore it.

I would like to conclude, Mr. Chairman, if I may, by making 6 recommendations to your committee which are set forth on the last 2 pages of my formal statement, and which I will make more brief here.

First, the funds available for urban renewal must be expanded both in overall quantity and in their availability to those cities which have the greatest need for them. Second, a new approach must somehow be instilled in those responsible for administering the section 220 program, particularly for rehabilitation financing. That section isn't working now. We think it could be made to work if there was a somewhat different attitude in the Federal administrators, and that point will be stressed before you in later testimony.

Third, the public housing program should be expanded as I have indicated, not only in the number of units which can be built, but also in the eligibility for other groups such as the aged, paraplegic, and the like.

Fourth, we have got to do something at the Federal level to make adequate housing available to minority groups.

Fifth, we must stop closing our eyes to the needs of middle-income persons and put our brains to work to devise some means of making adequate housing available to them, too, and, finally, we have got somehow to cut away the straitjacket of narrow, unimaginative, centralized controls so that within the limits of perfectly appropriate and proper fiscal Federal supervision and postauditing, we can go

ahead at the local level with the utmost encouragement to local initiative, grassroots administration, and local responsibility, for something which if it doesn't work is going to be a local headache for which local people are going to have to take the blame.

Thank you very much, sir. I am more than happy to have had this opportunity.

The CHAIRMAN. Thank you, Mr. Mayor. It is a very informative and interesting statement.

Any questions?

Mr. Mayor, we want to express our appreciation again not only for the good statement, but for your leadership in the field of housing, generally.

Mr. CLARK. Thank you very much, Congressmen, I am so happy you are willing to come up here.

The CHAIRMAN. At this time because he has another engagement, we are going to interrupt our regular witnesses for a brief statement from Congressman Hugh Scott.

Hugh, we are delighted to have you and we will be pleased to have you take the witness chair.

#### STATEMENT OF HON. HUGH D. SCOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. SCOTT. Mr. Chairman and gentlemen of the committee, I am very happy to be here, and I very much appreciate the courtesy of you gentlemen in giving me an opportunity to sit with you.

The CHAIRMAN. We are glad to hear from you, Hugh.

Mr. SCOTT. I trust that your stay here will be pleasant, and informative, in a city of which we are all very proud, a city with problems, problems which you are here to give consideration to.

I know that it is your desire to have a constructive look-see at the program of the Federal Housing Agency to determine in what manner Congress may legislate to assure a better living standard for all our citizens. That is a desire shared by all of us, and I promise you my continuing cooperation in the attainment of that goal.

Representing, as I do in the Congress, a section of one of America's largest and grandest cities, it is incumbent upon me to strive for all assistance which may possibly be given to this metropolitan area. In a larger sense representing, as each of us does, the entire Nation, we must look beyond the confines of our respective congressional districts, to legislate wisely for all of our people, and to see that the executive branch of our Government administers efficiently and well, so as to meet the needs of the whole national community.

Those of us who sat in Congress with Albert Cole are pleased that President Eisenhower chose him for the responsible position as Administrator for the Federal housing program. This must evoke a singular sense of pride in you of the Banking and Currency Committee where Mr. Cole served for many years.

Decentralization of the Housing and Home Finance Agency operations, initiated by Administrator Cole, brought about larger responsibility on the part of those who are essentially the coordinating Federal officers with the several communities. The Housing and Home Finance Agency regional office in Philadelphia, headed by my good friend, Mr. David M. Walker, serves this purpose admirably.



I find, upon checking, that Philadelphia has fared well under Federal programs of assistance in the housing field. This has been true under administrators appointed by Democrat and Republican Presidents.

And may I add parenthetically if, as my friend the mayor says, there are at times difficulties of coordination in any degree between the Federal and city governments that this has historically been true as long as my experience goes, and calls, I think, for the greatest amount of will to cooperate on the part of both Federal and city representatives, and I am sure that will is present.

Philadelphia has approximately 2 percent of this country's urban population. Since 1949 the city has received approximately 2.1 percent of the low-rent public-housing units which have been authorized by the Congress. The total substantially exceeds public housing which has been constructed in other large cities such as Boston, Cleveland, Baltimore, and Washington. On a per capita basis, the number of public-housing units allocated to Philadelphia compares favorably with the numbers in New York, Detroit, and Chicago.

Under title I of the Housing Act of 1949, as amended, the city has also fared well. There are at the present time 7 active title I projects, 5 of which are in the development stage. The capital grant which has already been committed or reserved for these projects, aggregates approximately \$29.5 million. Every possible aid has been given to the city in connection with these projects, and I am sure that the Urban Renewal Administration will continue to work with the city to help it further eradicate its slum areas.

This favorable situation results substantially, I am sure, from the interest and diligence of all Philadelphia Representatives in Congress, including my esteemed friend Bill Barrett, who sits as a member of your subcommittee. I like to think that I, the lone Republican in the Philadelphia delegation, have made a considerable contribution to the cause of decent housing for our people. To me there is no partisan advantage in the tolerance of the slum conditions, a statement in which I know this group concurs.

And, again, parenthetically, I would like to add that I have at all times supported the public-housing program and supported it fully and sometimes to a greater extent than recommended by any administration during my time in Washington.

There is not sterner test of the fiber of any Government agency than its performance under the adverse conditions of regional or national disaster. I have personal knowledge of the wonderful service rendered by all elements of the housing agencies when floods devastated portions of Pennsylvania in August. There were, on the scene as the floodwaters receded, specialists to counsel and assist the local communities in their immediate rehabilitation needs, and others soon thereafter who helped plan for long-rang rehabilitation. The gratitude of Mayor Hanlon of Scranton for this cooperation was profusely stated in a telegram to the President commending the Housing and Home Finance Agency for its help to that city.

Again may I repeat my welcome to the city of Philadelphia, and give you my pledge of assistance in the coming session of Congress for constructive efforts which may originate from these hearings to benefit the people whom I have the honor to represent.

I would like to say again thank you for permitting me to be heard early, as I do have another engagement.

The CHAIRMAN I would like to say, Congressman Scott, that we are delighted to have you here before our committee, and on the record I would like to note the good loyal support you have always given in the Congress to the housing programs. It is a pleasure to have you here.

Mr. SCOTT. Thank you very much.

The CHAIRMAN. The next witness is Mr. Frank Lammer, executive director of the Philadelphia Redevelopment Authority.

We are glad to have you, Mr. Lammer.

Mr. LAMMER. Thank you, sir.

The CHAIRMAN. You may proceed in any manner you desire. Do you want to incorporate your statement as the mayor did, and discuss it, or do you want to read your statement?

Mr. LAMMER. I would prefer, sir, if you and the members of your committee can bear with me, to read it.

The CHAIRMAN. All right.

Mr. LAMMER. Because I have a rather technical subject.

The CHAIRMAN. You may proceed.

Mr. LAMMER. Thank you.

Mr. BARRETT. Are you substituting for Francis J. Myers?

Mr. LAMMER. Mr. Myers intended to present these facts to you. He is unfortunately ill at home recovering from a recent stay in the hospital. I haven't spoken with him, but I do know that he most ardently wanted to be here, and I know that he regrets not being able to attend.

The CHAIRMAN. We are sorry the Senator couldn't be present but we are glad to have you.

Mr. BARRETT. Mr. Chairman, I would like to go on record as saying that the former Senator sent a very good pinch-hitter in for him.

Mr. LAMMER. Thank you for that, sir.

#### STATEMENT OF FRANCIS LAMMER, EXECUTIVE DIRECTOR, PHILADELPHIA REDEVELOPMENT AUTHORITY

Mr. LAMMER. Any information given to a body such as yours should begin with an explanation of the problems inherent in any redevelopment program, and, further, in explanation of the particular problems that beset the Philadelphia program. The redevelopment process is one affecting the lives and property rights of thousands of individuals and families. It causes considerable hardship in a number of cases. It is a legal problem involving boundaries, easements, reversionary rights, and liens. Any program so intimately connected with the lives and mode of living of so many people must necessarily be cautious, slow, detailed, and time consuming. It must fully protect, and in order to protect it must know the right of tenants and owners.

Before one block can be acquired the redevelopment authority must and should know the status of occupancy of each individual, small business, and manufacturing plant in that block. It must know the value of the properties. In the case of a small business or industry, it must know the loss involved in moving that business or industry. In the case of families, it must know their income, source of income,

number of dependents, their rent-paying ability, the type of accommodations they require, and if such accommodations are available in the rental market. The authority must know further what lies beneath the ground, the utilities that are available for further use, those which must be disconnected and removed. It must know if the land was originally filled, and whether it is good soil for building. If filled, it must know the depth of the fill, and the problems that must be met in construction of new foundations.

The authority is further responsible for knowing the marketability of the land after it has been cleared, and hence must determine its resale value. This resale value itself is dependent on the type of plans prepared for that land by the Planning Commission, and the authority, and that plan for the smaller parcels must fit in with and be a part of the overall plan for the entire community.

If designed for the purpose of building a group of new homes to be sold, the Redevelopment Authority must have market data to prove to its own satisfaction that houses built in this locality at the going price for the type planned can be sold. If desired for rental occupancy similar studies must be made as to the rents that can be obtained, since these rents determine in the ultimate the reuse value of the property. All of these are necessary requirements, and all of them are tremendously time-consuming. The program involves real-estate analyses, negotiation, and development. It involves social work of the most exacting sort. It involves vision in determining new use not dreamed of which must, nonetheless, be economically feasible. It involves promotion and a public-relations effort which the Federal Government in the main does not recognize.

It is a complex and slow problem, and let me repeat, it must be so. This field is a tremendously important one. Obsolescence is the greatest enemy that the modern city faces, and it cannot undertake the task of renewal without Federal aid. The removal of obsolescence and the blight that has resulted is a tremendous undertaking, and we have barely begun to scratch the surface. The funds available are woefully inadequate, and yet the city is unable to contribute much more than the amount contributed to date which insures the elimination of blight over a 27-year period with no provision made for additional blight that may occur during that time.

We in Philadelphia estimated 2 years ago that our task would require an expenditure of some \$270 million. A more accurate estimate begins to reach \$350 million. We do not have the funds available at this time to make a precise determination, but suffice it to say that the job is enormous, and more Federal aid is required.

Philadelphia began its first redevelopment project before the Federal Government entered this program. That first program was the Friends Self Help project in the East Poplar redevelopment area. When the Housing Act of 1949 was passed, Federal assistance was requested to help complete this project. Assistance was granted under a prior approval. Today, 6 years later, that project is still unfinished, and I shall explain this reason at a later date.

We have come a long way since that time, and now have a number of projects in various stages of completion, but I do believe that we are still learning, and that the best means of accomplishing urban renewal has yet to be found. Our activities in Philadelphia were from the outset handicapped by a State law which the Federal agency

found difficult to adjust to its regulations. The Pennsylvania Redevelopment Act of 1945, until a few months ago, required that the redevelopment authority sell its land and have a contract with the buyer before it could acquire the land. That act also required that the Planning Commission prepare a detailed redevelopment area plan, although the Federal authorities did not feel that this plan met the Government's requirements, and this required another different redevelopment plan.

We have been required to undergo additional steps which have not been required for other agencies, and most of the Federal operations have been tailored to fit our law which differs from that of most other States. Our procedure until recently was one of constant legal determination and decisions that were time consuming and individualized.

I might say further that in Philadelphia we have a strong urge toward local determination which caused many problems with the Federal authorities. We programed for rehabilitation years before it was included in the 1955 program. This necessitated many separate decisions and protracted arguments. After 6 years the Federal Government has come to accept this as a national policy, just at the time that we are beginning to question its widespread effectiveness after considerable experience.

In Philadelphia our program is not a program based on clearing areas where a large number of low-income tenants are evicted in order to make room for very high rental apartments totally unavailable to the persons displaced. We have a varied program which includes clearing some of our worst slums and providing, as far as possible, new homes for the persons displaced, to which they can afford to return if they wish. Our program includes a workingman's town in Eastwick, with new homes a workingman can afford. It includes aid to public housing and includes only one project currently providing high rental reuse.

Mr. BARRETT. May I interrupt at this point: What part of your Eastwick redevelopment is open land?

Mr. LAMMER. It is within the determination of being predominantly open. I would find it difficult to give you an answer to that because of the way it is currently built, Mr. Congressman. There are about 2,400 homes on 3,000 acres. Less than 50 percent is currently open, but the buildings that are there are scattered.

Mr. BARRETT. May I just interpose this point: Our situation here in Philadelphia may appear a little strange to some of the members of this committee, and in order to highlight the major's discussion on our blighted areas, you might illustrate by using Eastwick as an example, so a clearer picture might be presented.

Mr. LAMMER. I would be glad to do that.

Our blighted areas are shown in gray on this chart. These are all blighted areas, and each one has its number. Our blight proceeds more or less in a U from Delaware River across the Schuylkill down south of the main business center, and back to the river again. That is all blighted. This is a section of former industrial blight which we are not engaged in doing anything with.

Mr. BARRETT. Would you point out the approximate distance between the two rivers?

Mr. LAMMER. I have lived here all of my life, Congressman, but I couldn't say. I would imagine it was about 6 miles all the way out and back again.

Now, the one peculiar section, Eastwick, lies just north of the Philadelphia Airport out the southwestern end of the city. It contains 3,000 acres. It is an arrested area, one that contains shacks and beautiful new dwellings, both. It is presently kept dry by means of three pumps that pump about twenty some million gallons of water a day out of the area.

Mr. BARRETT. This is the location where the banks of the Schuylkill overflowed?

Mr. LAMMER. Yes. There is a dike maintained along Darby Creek on this side. There is only one sewer running through the section, the majority is not sewered. Storm-water drainage is conducted by means of open ditches. There is a large marsh section. The elevations run from about minus 10 to about plus 12. We plan to fill it with silt pumped in from the Delaware River, and some silt already provided and stored down there through a Federal cleanup operation of the Schuylkill River, and when built we expect that it will contain about 12,000 new homes to replace some 2,600 that cannot be improved at the present time except at such exorbitant expense that it would be impractical.

Moreover, there will be new drainage provided, new streets, new schools; it is an \$80 million project, which we are currently undertaking.

The CHAIRMAN. Under what program will those homes be built?

Mr. LAMMER. They will be cleared up under title I.

The CHAIRMAN. Built under what?

Mr. LAMMER. Built under 220 of the new act, by home builders in the main. Some will be provided for low-rent public housing, but the majority of the area designed for residential use will be built under FHA mortgaging.

The Philadelphia two-story row home is one of the Nation's best bargains. Today we can offer in Philadelphia such a dwelling for a maximum of about \$11,000, with 3 bedrooms and a tile bath. Our home builders can produce that.

The CHAIRMAN. That is in single units?

Mr. LAMMER. Yes, sir; single-family new usage.

The CHAIRMAN. You expect to build apartments on this particular area, don't you, under 220?

Mr. LAMMER. No, sir; our program in the main does not involve much apartment usage. The apartment today costs too much to build for the average person to occupy. An apartment structure today with financing costs, maintenance, and so on, has to rent at a rent which is far above the market, and there is not much new apartment construction currently underway in Philadelphia.

The CHAIRMAN. You are building under 220 what we would call row houses?

Mr. LAMMER. Yes, sir; row houses for the income in the middle-income bracket.

Mr. O'HARA. You say a 3-bedroom house can be built in the Philadelphia area and sold for \$11,000?

Mr. LAMMER. Yes, sir.

Mr. O'HARA. Why is it they do that in Philadelphia and we are not able to do it in Chicago?

Mr. LAMMER. I am not familiar with conditions in Chicago, sir.

Mr. O'HARA. Well, you have about the lowest figure here in Philadelphia of any large city, haven't you?

Mr. LAMMER. I have heard it said, and from what I have encountered in national meetings, and so on, that our Philadelphia home-building industry probably gives the best value in the United States for individual homes.

Mr. O'HARA. And you pay the same scale of wages in Philadelphia as in other cities?

Mr. LAMMER. I cannot say that, sir. I believe that New York has a higher rate, but other cities I do not know. It may be technique. It may be material supply. It may be the type of construction, but we certainly have values in Philadelphia.

Mr. O'HARA. Well, is your type of construction here different from that in other cities, such as Chicago?

Mr. LAMMER. Well, the row house in Philadelphia is a different house from what I have seen most anywhere. I have seen a few like ours in Baltimore, but elsewhere I have not seen that similar type.

Mr. BARRETT. What is its construction, would you explain it?

Mr. LAMMER. Well, our city ordinances require all masonry construction. Party walls are generally of cinder block 8 inches thick. The front walls are generally brick and cinder block, brick faced. The houses run from 16 by 34, 16-foot front, 34-foot depth, to 18 by 32, and they provide 3 bedrooms, upstairs tile bath, downstairs living room, kitchen, and a garage underneath. It is a very nice living unit, although a great many people from other towns complain of it being practically an apartment. Nevertheless, it is a very nice living device.

To go on, we have always questioned the public morality involved in saying to the residents of a blighted area, we are going to do something for you, we are going to improve housing conditions, and then reselling the land for the construction of high-priced apartments at economic rents based on current construction costs of about \$30 a room a month. That is about the price in Philadelphia for new high-priced construction.

Under such circumstances we would have done very little for the persons displaced. The major problem that has confronted us from the beginning of our effort has been the problem of finance. A while ago I spoke of the Friends project. We call it East Poplar No. 1. The Friends were advised by FHA to apply for two mortgages, one for each half of the block that they purchased from the redevelopment authority. I believe they had difficulty in securing tenants to occupy the entire block at first, and so the block was split into two portions so that they could proceed with one-half.

The application for the first section was made under section 213 of the National Housing Act under which a mortgage guaranty of \$8,100 a unit was secured by Friends. Since this project was a rehabilitation project, the FHA encountered great difficulty in processing the application, but their cooperation was complete, and the mortgage commitment was granted. Friends later applied for a commitment on the second half of the block. Congress had changed the rules.

Mr. BARRETT. May I ask a question: What period of time does it take to process an application through FHA?

Mr. LAMMER. 213, as I understand it, was designed for new construction, and a rehabilitation project had never been approved up to that time, so that the planning work involved was considerable, the regulations had to be made up as they went along, and, if I recollect correctly, it was something in the nature of about a year's time to process the loan. It may have been longer. I am not thoroughly familiar with that detail but I know that it was a terrific job because blueprints were required of the condition of the buildings as they were, the condition as they would be when stripped, the condition after rehabilitation.

The CHAIRMAN. Well, we are going to have Mr. Herford Crossman, who can give us the details on that; can he?

Mr. LAMMER. Yes, sir; he can.

The CHAIRMAN. All right.

Mr. LAMMER. Well, the rules had been changed, and 213 was no longer determined by cost when Friends applied for their second mortgage. Value was the determinant.

The mortgage offered by FHA was totally inadequate, and so this wonderful project now at least nationally known has been obliged to await congressional action which would permit the Federal Housing agency to insure the other half. We hope that the amendment contained in the Housing Act of 1955 permits the completion of this project, that is now in process that second application, to my understanding, but thus far it still stands as an example of the intricacies of governmental regulations.

Now, of course, when insurance companies, the school board, or the housing authority, builds they need no mortgage finance but insurance companies had withdrawn from the field of redevelopment by the time that Philadelphia had begun its operations, and we were dependent upon the home builders for our new construction. It costs the home builder the same amount of money for a 2-story 3-bedroom 18 by 32 row house whether he builds it in one of Philadelphia's best neighborhoods or whether he builds it in a redevelopment area. In fact, it may cost him more in a redevelopment area because of foundation problems. The redevelopment area might be a place where sales could be made more readily, but to the builder it is a new experience, and if he is to take a risk he prefers to take it elsewhere, and so did FHA.

Until this year there has been no adequate vehicle of Federal finance able to redevelop areas, and we have not yet fully tested the possibilities of 220 financing. We believe it can be made to work, but we shall not know for some time to come. I refer particularly to rehabilitation. The Federal Government in issuing a mortgage under section 213 on the Friends project required that the redevelopment authority redevelop certain adjacent blocks so we planned Penn Town, that is the 172-unit development immediately south of the Friends. We wanted to make section 608 available for its financing. FHA refused to consider 608 and suggested section 207. No builder would consider a project in a renewal area where an investment from 10 to 15 percent was available where he could build in similar other areas with no cash down at all. Penn Town was financed by an issue of redevelopment bonds. It has been successful, but because of many prob-

lems encountered the authority decided against any further financing of projects on this bond-issue basis.

Our next private-enterprise undertaking was in the Southwest Temple redevelopment area, a group of 229 dwelling units with 35-percent State subsidy, a payment to the builder of 35 percent to reduce rents. The successful bidders in this project have been working with FHA for more than a year, and have been able to solve their problem of finance only since the passage of the 1955 amendment to the Housing Act.

We confidently feel this project will be underway shortly. I understand its commitment is virtually ready for issuance. But until recently, despite the 35-percent construction subsidy, FHA had been unable to grant satisfactory insurance because of the requirements of the old act. This has been one of the worst factors of delay in our picture. Until the very recent past the Federal Government endeavored to conduct this tremendous program involving hundreds, perhaps thousands, of projects in all sections of the country from its Washington office. This authority, together with others, recommended and urged decentralization. That step has now been accomplished, and I am happy to say that approvals have been speeded up more than 100 percent. As a matter of fact, I should like to compliment the Federal Government in the selection of its personnel for our local offices. I think that they are extremely well qualified, and it is a pleasure to work with them. Our service is excellent; our relationship is cordial, and where the local office determines, discussions are promptly given. We have only one comment to make with regard to decentralization: It has not gone quite far enough.

Land resale values, contract amendments, and parts of partial grants should also be delegated to the regional office.

I should also like to point out two problems we feel still exist. It may be one of these problems is solved presently. Prior to decentralization a staff of approximately 125 people attempted to process all papers, plans, appraisals, and so forth, for the city. Every employee's desk was piled high, and this created a huge problem. At one time we considered hiring an expeditor just to get our papers to the top of the pile. After decentralization that problem has lessened. We receive prompt replies to matters within the jurisdiction of the local office. I still wonder, however, how a staff of, say, three attorneys, which I believe to be the present number in our regional office, can process all the legal documentation from the wide area they cover.

The redevelopment authority of the city of Philadelphia has four attorneys—

The CHAIRMAN. Are you speaking of the regional office, the legal staff here in Philadelphia?

Mr. LAMMER. Yes, sir; of the Urban Renewal Administration.

The CHAIRMAN. All right.

Mr. LAMMER. Our authority has 4 lawyers for the 1 agency, and they covered a multitude in this wide area, and I wonder if their staff is adequate presently. At least, I think there is a tremendous burden imposed upon them.

Further on this—

Mr. BARRETT. I just want to add at this point, I would certainly like to commend you on your statement about the local officials. We



didn't get that in New York. I think it is worth while having on record that the Philadelphians are living up to the expectations of all people with whom they deal.

Mr. LAMMER. We are fortunate. We have local people who in the main are familiar with our program. Our administrator of urban renewal here has been connected with the program in our area since its beginning. The Administrator of the Housing and Home Finance Agency was formerly the director of the redevelopment authority, and hence knows the program intimately.

Our field representative has been with us in handling our work since the beginning of his employment with the service.

Mr. BARRETT. I didn't mean to take you away from your subject. I would like you to continue.

Mr. LAMMER. Yes, sir. We have no problem in that regard, and I believe we are fortunate.

Now, further, on the problem of decentralization, I should like to discuss the necessity of closer interagency control. This is a recommendation we have made in the past, and while certain of the Federal agencies involved cooperate fully, there are still problems that occur. Recently we sold land to the housing authority. The Urban Renewal Agency felt that the resale value established by our reuse appraisal was 5 cents a square foot too low. The Public Housing Agency asked their local agency, the Philadelphia Housing Authority, to have the resale value price reduced because they felt it was too high.

It is difficult to say whose word should govern, but certainly in matters of this sort, review of price should be made by only one of HHFA's constituent agencies, and that determination should govern on the resale valuation.

We have another illustration where the Philadelphia planning Commission decided that adequately planning was required to give a proper tone to a new neighborhood, and thus increase salability. The Urban Renewal Agency agreed with this, and the plan was therefore developed for a tree-lined esplanade. The FHA, in considering its mortgage commitment, cannot consider the trees as being of additional mortgage value despite their additional cost. The re-developer is still hoping for a determination for the FHA to include the cost or for the planning commission and the Urban Renewal Agency to remove the trees. Certainly one agency should be governing in this matter. Only one agency should review the problem, and that review should be final and binding, rather than a multiplicity of agencies each one coming up with its own determination.

This same problem of agency control by HHFA exists in the planning field. The local public agency has a difficult problem reconciling the views of its own large number of agencies and branches of municipal government. We must deal with city council, the department of streets, of water, the planning commission, and so forth. When we have our plan prepared it is reviewed by URA, the Urban Renewal Agency, adjusted, and then approved.

The Public Housing Agency is apparently covered by a different set of rules, and revisions of revisions results.

This brings us to the problem of program rigidity. I have no solution to this, but feel that careful examination might point a way. The mayor spoke of this same problem. The program presently requires that a plan be developed, costs obtained, approvals set, and the whole

mass of data becomes a part of a contract document. Any contract whose activities are expressed over a period of years requires adjustment as times and circumstances change. Under present contract procedures, this is difficult and time consuming. This contract inflexibility requires a great amount of additional work on the part of the local public agency, and its parental partner, the Urban Renewal Administration.

An area begins to take shape according to plans that have been submitted. There is no library within several miles of the area. Neither the local public agency, the planning commission, nor the Urban Renewal planners noticed this deficiency. We see it later, and take steps to modify it. The board of the trustees of the free library approves a new branch for our new town. To include this branch we must change the area, plan the financial plan, and the acquisition costs, and other contract data, and amend the contract.

We wonder now whether the library, as an asset, will counterbalance the efforts required to make the change in the contract. We decide to exempt the local industry from the undertaking. The industry is excluded. Several years later the industry finds it more advantageous to move elsewhere, and we are threatened with a vacant factory too old to accommodate a satisfactory use. We find it too difficult to change the contract in this case, and so we do it on our own.

The Federal agency identifies the expenditure as a local grant-in-aid, which we do not require in our financial plan, but which will be applicable later as a pooled credit to some other redevelopment area.

It seems that there might be established, instead of this individual contract procedure, an annual program with annual Federal contributions like an open-end mortgage which could be amended as needs dictate. Philadelphia works that way, thinks that way, and has demonstrated that it is qualified to carry out its share of the job without the scrutiny of minute detail which exists under the present method.

In summary, I should like to say decentralization has speeded up processing by the Urban Renewal Agency within the framework of the authority delegated to that agency. Much greater effectiveness can be accomplished with a delegation of further authority to the field. Efficient operation of the regional office has been fully demonstrated in its months of operation.

Full coordination of all agencies having interest in redevelopment problems, that is urban renewal, public housing, and FHA, will result in a speeding up of the redevelopment and renewal processes.

Following this coordination, decisions regarding reuse values, site planning, and future usage should be the responsibility of the one most interested agency, and that decision should be final and binding upon all parties and agencies interested.

Lastly, wider latitude should be extended to local public agencies to lighten our load and the load of the regional HHFA office.

The CHAIRMAN. That is a fine statement, Mr. Lammer. You give us some very concrete facts and recommendations. I want to thank you.

These gentlemen may have some questions for you.

Mr. Barrett?

Mr. ASHLEY. No questions.

The CHAIRMAN. Any questions?

Mr. WIDNALL. No questions.

The CHAIRMAN. This is Mr. Widnall from New Jersey, who has just arrived.

Mr. LAMMER. Thank you very much, gentlemen.

The CHAIRMAN. We are delighted to have you with us, and to give us those facts which I hope will be helpful in our recommendation.

The next witness is Mr. William Rafsky, housing coordinator.

Come around, Bill. The last time I ran into Mr. Rafsky we were appearing on the same program at the National Housing Conference down in Washington. He spoke before I did, and I learned a lot more about housing than I had ever known before. I suggest to the members if you have any questions to ask, this is the man who can answer them for you.

We are delighted to have you.

Mr. RAFSKY. Thank you very much for those remarks.

#### STATEMENT OF WILLIAM L. RAFSKY, HOUSING COORDINATOR

Mr. RAFSKY. At the committee's suggestion, I have prepared a brief statement on our major problem: relocation.

Relocation is at the core of all activity aimed at improving houses and neighborhoods. Relocation, unfortunately, has been one of our most difficult responsibilities and has posed obstacles which we have not fully overcome. At its hub, relocation touches on all aspects of the urban renewal process. Without the successful handling of displaced households, we cannot have effective slum clearance, rehabilitation, or code enforcement. The city of Philadelphia has recognized the problem and, particularly in the last year, has organized in a concerted effort to overcome the difficulties. But the record speaks more tellingly than words.

Up until this year, our redevelopment authority has had the responsibility of rehousing from the first 4 slum-clearance projects 1,154 households, 810 of whom were families. To the extent that we could check, approximately 55 percent of this group moved into unsatisfactory dwelling units. Our current workload is 964 residential units, 670 of which are families. We anticipate that our rehousing bureau will be required to relocate 3,000 families during 1956 if the plans for our current program can be translated into action. The bulk of the increase in workload will be brought about by an intensification of our code-enforcement program. In addition, the Philadelphia Housing Authority will be tearing down a large number of temporary units and displacing families who are eligible for low-income public housing. The city's slum-clearance program is also expected to continue at a stepped-up pace.

Recognition of the size and formidability of the problem has led the city to establish a centralized relocation service, which ties together the work of the redevelopment and housing authorities with the city itself. This service, centered in the office of the housing coordinator, uses the existing facilities of the rehousing bureau of the redevelopment authority. The city of Philadelphia accepts responsibility for the rehousing of all households displaced by any governmental action, whether slum clearance, code enforcement, or public improvement. As a result, we have a central point where families and individuals

affected can receive aid. We have a unified approach to the private housing market and have worked out an excellent arrangement with the real-estate boards of Philadelphia for obtaining information on existing vacant units. To prevent possible slipups, we have alerted our city housing rent commission, which, under current city ordinance, must pass on all eviction notices. In short, we have devised an arrangement which we believe most effectively prepares us to handle the relocation problem. This office, with the approval of the mayor, is seeking additional funds from city council to cope with the increased workload anticipated next year.

At the risk of overemphasizing our organization and structure, I have wanted to point out clearly and sharply that we take this responsibility very seriously. Yet in spite of all our preparation, we cannot overcome serious impediments to a successful job. The key obstacle which confronts us any way we turn is an inadequate housing supply for all those who are below the high-income brackets. We are especially slowed up in our housing and neighborhood improvement activity when we are dealing with lower income groups. Except for the handful of relocation involved in some public-improvement programs, such as street widening, where little or no assistance is required, the maximum annual income of families with which we are concerned did not exceed \$4,100. The amount and quality of shelter that such income can buy is extremely limited in the Philadelphia housing market, or, for that matter, in that of the surrounding area. As Mayor Clark has already pointed out, even the bulk of used housing and rental accommodations are beyond the means of this group.

It is true that public housing can accommodate within the supply available many of these families at the lower end of the income scale. In fact, of the 1,480 families which have come to the attention of our relocation bureau, 888, or 60 percent, appeared eligible for low-rent public housing. Under present regulations, however, the 638 single persons and unrelated individuals, nearly all of whom are within the public housing eligibility income limitation, could not qualify for such accommodations. This weakness in the public-housing program should be corrected. Furthermore, serious consideration should be given to the raising of income eligibility in view of the general rise of shelter costs in Philadelphia and in our economy. We note that approval for such revision has been given to New York City.

The CHAIRMAN. I lost out on what you said. Would you go back and give me that statement again?

Mr. RAFSKY. Mr. Congressman, our eligibility, incomewise, for public-housing families does not exceed about thirty-two or thirty-three hundred dollars for initial application unless they are unusual circumstances.

The CHAIRMAN. You are talking of the limit for entry into public housing?

Mr. RAFSKY. Yes.

The CHAIRMAN. You say it has been revised for the city of New York?

Mr. RAFSKY. Yes, they recently received authority from the regional office in New York to increase theirs approximately three or four hundred dollars.

The CHAIRMAN. All right. Thank you.

Mr. RAFSKY. Even for families eligible for public housing, units may not be available. Although in line with the commendable Federal regulation that dislocated families receive top priority for public housing, we find that there are insufficient large units to handle many families who are displaced. Almost 50 percent of the public housing eligible families who were dislocated, 410 needed units of three bedrooms or more. Construction costs and Public Housing Administration regulations being what they are, our housing authority does not have a sufficient supply of such size units available.

I am told, for example, that there are 2,300 families on our waiting list for units which we do not have available because of the size problem.

Here, again, the relocation process is slowed down and sometimes brought to a long, painful halt. The effects are not confined solely to large families, but the whole neighborhood improvement impetus can be lost.

Although the causes are probably diverse, it is startling to note that the 55 percent who moved into unsatisfactory dwelling units in our past experience with relocation were all nonwhite. Aside from other considerations, housing for minority groups is extremely difficult to find in Philadelphia and even more so in the surrounding area. Of the total workload thus far, 1,881, or almost 89 percent, involved residential units inhabited by nonwhites. It is distressing to realize that 1,305 of this group were families, meaning usually that children were involved. There is no discrimination in our public-housing projects, but nonwhites are hindered in obtaining accommodations on the private-housing market.

When minority groups are also in the low-income category, as so many are in our relocation workload, we have a knotty situation for which few solutions have presented themselves. This can be illustrated in that 868 of the 888 families, all but 20, eligible for public low-rent housing were nonwhite, almost two-thirds of all nonwhite families who were covered by the relocation bureau's responsibilities. The city's commission on human relations is concerned with expanding shelter opportunities for nonwhites. It has found very many difficulties which have long existed in the private-housing market. A survey prepared for the commission discloses that new private housing made available to Negroes, either on a segregated or integrated basis between 1946 and 1953, totaled 1,044 dwelling units, while the total private construction volume was in excess of 140,000 units. The voluntary home mortgage credit program, which has been in operation 10 months, has received 17 applications from minority families for existing individual owner-occupied homes; 3 loans were made, 6 loans rejected, and 8 are still in process. Obviously, this has only provided the "drop in the bucket."

No statistics have been kept on the number of aged families, and individuals who are affected by displacement brought about by governmental action. Where aged individuals are involved we again find great difficulty in procuring proper accommodations. Many of them are single, and even where families are affected, special types of facilities are necessary. No walking upstairs, for example. This even limits public housing for the aged group.

Other human factors also tend to make the rehousing burden more severe. We find many broken families, households without male heads, health and moral problems, and others in our blighted neighborhoods. Relocation of necessity must involve more than the supplying of a new physical environment. We recognize that in some cases physical property has been abused by individuals who do not understand and have never been trained to use it. Such action discourages the private real estate industry and irritates public housing management and can very much affect an entire block, and even a neighborhood. More recognition must be given, therefore, to the contribution that can be made by the social worker operating in close harmony with the relocation service. One person trained in these skills is already on our relocation staff, and funds for a second social worker are being sought. The impact, however, of working with these families is communitywide, and it is necessary to make the entire health and welfare service facilities of a community aware of working with those of us in the shelter side on a cooperative basis. Where families are on public assistance, the meager funds make it almost impossible to cope with these social, mental and emotional problems. It is in this regard that the State, as well as the Federal Government, is in a position to exercise greater responsibility by providing more adequate funds for families who need public assistance.

In a similar vein, we must look to our private building, home financing, and real estate industry to help provide a larger market for the families with whom we are concerned for relocation purposes. Section 221 of the Federal Housing Act of 1954 has proven unworkable in a city like Philadelphia. The cost limitations imposed, particularly for new construction, are so far below the current minimum home prices that no interest has been evoked in this area. Personal contacts with mortgage men and home builders has produced not even an inclination to try section 221. Nevertheless, there is ample evidence that there is a large housing market among families in the lower income groups. Many of them are willing to pay more for their shelter if given decent accommodations. Our relocation experience indicates that 70 percent of the families paid more for their housing after relocation. In so many cases these households were spending far less than the national average of 20 percent of income on shelter. We in the city of Philadelphia have been prepared to work with private industry to supply this type of housing. So little has been accomplished, however, that as Mayor Clark has pointed out, bolder efforts are necessary.

The relocation problem is involved with many of our basic human difficulties. Much more, however, can be done if certain steps are taken, and I recommend, Mr. Congressman, six specific recommendations which I would like to refer to at this time.

No. 1. Federal Government incentive to increase the housing supply for middle-income families with priority given to displaced households.

No. 2. A greatly expanded public-housing program.

No. 3. Liberalizing the eligibility requirements for public housing to permit (a) unrelated individuals and single persons to qualify; (b) higher income limits commensurate with the increase in shelter costs; (c) especially designated units set aside for the aged.

No. 4. Increased Federal assistance, both in terms of funds and staff service in handling the relocation workload.

No. 5. Use of all the Federal powers, including the special assistance authority of the President, to aid minority groups in obtaining decent shelter.

No. 6. Reexamination of the section 221 program of the Federal Housing Act of 1954 to take into account the high-cost building areas like Philadelphia.

We believe that as a result of these hearings Congress, and through it the Federal administration, will obtain a fuller understanding of the difficulties involved in relocating displaced households. The time has come when we cannot consider it merely an adjunct to more concrete urban renewal activity. It must be given full recognition as part of the total program. It is in this light that the above recommendations have been made.

I very much appreciate the opportunity you have given to us to present our experience to you.

The CHAIRMAN. Thank you, Mr. Rafsky. That is a very helpful statement right on the button.

I have about 1 or 2 questions, and then I am going to turn you over to the other members.

We have heard from the mayor, and from the gentleman who preceded you, the necessity for the elimination of as much red tape as possible, with which everybody agrees, I am sure. Now, what do you think—and I am speaking not only of Philadelphia's problem, because we must think in nationwide terms, large cities and small, in Congress—what do you think of the so-called workable program concept? Do you think it can be simplified and if so how can it be simplified?

Mr. RAFSKY. Well, my answer has to be in terms of Philadelphia's own experience. We in terms of mobilizing our housing agencies to attack the problem of blight and improved neighborhoods in Philadelphia, in effect drew up a workable program even before the regulations required it, and so it did not pose a difficult burden on us, but I do believe that in terms of trying to get the Federal Government's program operating effectively that there can be many simplifications in the workable program. I welcome, for example, the action by Congress not to tie public housing to the workable program because the need for public housing is far beyond that merely connected with elimination of blight.

We have many families of low income who cannot find decent shelter because the private housing market doesn't make it available, and I believe that public housing should not be related to it at all. I feel that some of the requirements of the workable program can be too harsh, but they have not been for us, and I am not in a position to indicate in other cities just how difficult it has been.

The CHAIRMAN. You would concur with the idea in mind that in smaller cities without the adequate staff of housing experts as you have in cities like Philadelphia and New York, that it would be a more onerous burden on them to conform to a great number of those requirements than it is in a city like Philadelphia?

Mr. RAFSKY. There is no question in my mind that it is a terrific burden.

The CHAIRMAN. Of course my thought back of that is if we are going to have a Federal housing program, it is going to be necessary to have support for that program in Congress from all areas nationwide, as you know.

Now, one other question. I want to inquire as to what are the requirements for upping the income of a family such as New York has had in a revision upward of income for admittance into public housing? What are the requirements?

Mr. RAFSKY. As I understand it, the requirements are designed to show that the private housing market has been unable to meet the needs of families at a certain income level which are not eligible for public housing and, as I understand the New York City experience, they were able to demonstrate that families who were immediately above the income eligibility were being housed in the worst properties and could not find adequate accommodations elsewhere, and it was felt in terms of using public housing as an urban renewal tool, it would be desirable to include these additional families.

Dislocation of households was specifically cited where families could not find shelter, but yet were ineligible for public housing, and apparently that carried some weight with the public housing authority.

The CHAIRMAN. Do you feel, Mr. Rafsky, there is enough power granted to the local housing authorities? After all, it is supposed to be a local program with a local authority set up. Does that local authority under the present circumstances have the full power it should have?

Mr. RAFSKY. I do not think so. We requested our housing staff people to prepare a statement, and we would like to file that on the record because it goes into detail. It was our understanding you would not have time to hear all of the witnesses.

The CHAIRMAN. We will be glad to have that filed

Mr. RAFSKY. We feel they do not have all of the authority they need. We are interested in trying to work out a project of the type the mayor called a cluster type, where you would intersperse public and private housing in various neighborhoods and we have run into great difficulties in trying to fit the Philadelphia type of building with the Federal housing regulations.

I don't know how we are going to resolve it, but it is an indication of how at every turn we have difficulties in trying to square off with what they request.

The CHAIRMAN. Thank you very much.

Mr. BARRETT. Mr. Rafsky, I would like you to comment on 221, as to how it can be more effective and function more expeditiously.

Mr. RAFSKY. Well, as you know, Congressman, the requirements in the high-cost area restrict the building cost to \$8,600 for a unit. There is no such building of any kind in the Philadelphia private housing market today, and so the man who puts up the money or the home builder, himself, feels that this is a tool not meant for him.

Now, if that cost limit could be raised to something more realistic for the Philadelphia market we may be in a position to interest the private developer to build that kind of housing. It is not a substitute for public housing.

Mr. BARRETT. What percentage increase do you suggest?



Mr. RAFSKY. I think it has to be flexible enough to meet our building costs here which I heard Mr. Lammer say is \$11,000 for the cheapest home with 3 bedrooms in the city of Philadelphia.

We think, too, and although we haven't explored this fully, that applying section 221 for existing houses and possibly for rehabilitation of existing houses might be made workable if the cost limits are made higher.

The CHAIRMAN. Mr. Widnall.

Mr. WIDNALL. Mr. Rafsky, I am particularly interested in the operation of the voluntary home mortgage credit program because I sponsored that bill in Congress, and I think that it is something that is workable and can be developed into a fine instrumentality for providing opportunities for minority families to get housing. I am particularly interested in your statement where it says six loans were rejected.

Do you know for what reason?

Mr. RAFSKY. I do not. Information was supplied to me by Mr. McFarland, who I believe is in this room this morning. My purpose of the illustration was to show that perhaps that might be some way to solve our problems, and so far it hasn't been tested enough to say whether it can or cannot be done. Apparently for the low-income families it is just not a tool they can use.

Mr. WIDNALL. These were individual family units?

Mr. RAFSKY. Yes, existing used units.

Mr. WIDNALL. You spoke of raising the limits of income for people who go into public-housing units. I am interested in that from this standpoint: Do you have enough applications already from the lower income groups to fill your public housing, or do you have to extend the income group up higher in order to fill the existing public housing?

Mr. RAFSKY. No. The purpose of extending the income group higher is not to fill the existing units. We have applications on file, close to 10,000. Of that I believe that almost two-thirds are definitely eligible for public housing. The others at least have passed the preliminary tests. We continually have a waiting list, and have always had difficulty in meeting our need.

The purpose of extending the income eligibility is to try to take care of the dislocated family because we are stuck, if we cannot find him private housing, he has nowhere else to go, and therefore our program, whether it be enforcement or slum clearance, is held up. And we don't want to find ourselves dislocating a family in one area and having them move to another area where it is unworkable.

Mr. WIDNALL. You don't want to be creating new slums while moving people out of the old?

Mr. RAFSKY. That is right.

Mr. WIDNALL. I notice, in coming into this square, that you have a big signboard up at this building telling people how they can apply for public housing.

Mr. RAFSKY. Yes.

Mr. WIDNALL. Is that to get tenants or just what?

Mr. RAFSKY. We indicate by billboards at the project itself and sometimes announcements are distributed. We want to acquaint everyone in the city of Philadelphia with the opportunity because if we don't, then it is confined to those people who live in neighborhoods of the public-housing project who may have heard of it indirectly.

We know the need is there. Our census data indicates we have 17,000 families in 1950 who earn less than \$2,500 a year who live in substandard areas. Our job is to make sure all of them know about these opportunities.

Mr. WIDNALL. One further question: Are your fire and sanitary and police codes being enforced as fully as they might be against substandard housing units?

Mr. RAFSKY. We have an up-to-date housing code which combines the sanitation questions. We have a fairly modern fire code which is even now being revised, and we have a very effective enforcement system in that it is all concentrated in one department. We think that we are doing a very effective job. We believe there is room for improvement.

As Mayor Clark indicated prior to our coming in, Mr. Congressman, we are asking for more inspectors to do the job. We have under way now a concentrated code-enforcement program in one area of Philadelphia, and we think it is achieving the basic purpose, and we are intending to spread this throughout the entire city so that we do have true code enforcement. We are not slacking on that job at all.

Mr. WIDNALL. I, too, want to commend you for your statement. I think it is an excellent one.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Mr. Rafsky, I noticed on page 2 of your statement a reference to the power of the city housing rent commission under current city ordinances to pass on all eviction notices. Is that a recent ordinance?

Mr. RAFSKY. No; it is something we continued from Federal rent-control days. When Federal rent control was ended we continued rent control in the city of Philadelphia. We have it today, and that power was given to the city commissioners, as it was to the rental control agency of the Federal Government, and that requires that any landlord who wants to evict a tenant must notify the rent commission.

Mr. O'HARA. And the tenant will not be evicted unless the city housing rent commission approves of the eviction?

Mr. RAFSKY. Well, that is true by and large, but the property rights of the landlord are such that he could take action in court and make sure that it is done. In practice, what has happened is that hardship cases have been delayed in eviction up to 6 months, and that has been the role of the commission.

My purpose in citing it in the testimony is if a landlord or another Government agency asks a tenant to move, the rent commission will then notify us and our relocation bureau will get to work to make sure that they are not thrown out on the street, or forced to find substandard housing elsewhere.

Mr. O'HARA. This is merely advisory on the part of the commission?

Mr. RAFSKY. Well, they have the legal power to delay eviction, but the specific thing I am referring to is advisory. They have promised their cooperation and are doing so.

Mr. O'HARA. Has that been tested in the courts?

Mr. RAFSKY. I don't know whether it has been tested in the courts all of the way. There has been no real argument about it, and they have been able to delay evictions as long as 6 months.

Mr. O'HARA. I think the practice in Chicago has been—I don't know whether it is followed now—the judges take it upon themselves

in extending the period by continuing cases. Your program is working pretty well, is it?

Mr. RAFSKY. Yes; as far as the dislocation problem, it is working.

Mr. O'HARA. I was especially interested in your comment on housing for the aged. Most of the members of this committee are sponsoring proposed legislation for housing for the aged.

Mr. RAFSKY. Yes, I know.

Mr. O'HARA. You think there is a special need for housing for the aged and for the single?

Mr. RAFSKY. There is no doubt in my mind about that. It is for that reason that our redevelopment authority and housing authority, in planning new projects, try to take into account what accommodations are best needed for the aged. All of our new projects have that in mind. That, however, is a small substitute for the kind of legislation which you and other members of the committee are sponsoring to specifically set aside certain units for the aged, and I think you will have that testimony developed for you at another time in this hearing.

Mr. O'HARA. Of course, you know that our great colleague from Philadelphia, Congressman Barrett, is one of the leaders on that, and Congressman James Byrne is doing a good job, too.

Mr. RAFSKY. Yes.

Mr. O'HARA. The mayor has commented on the need for housing within the financial means of people earning 5 or 6 thousand dollars a year, or less, and we are not supplying adequate housing for people in that category. You state on page 7 so little has been accomplished that, as Mayor Clark has pointed out, bolder efforts are necessary.

Now, we agree on that. Have you any specific recommendations to make of some bolder effort that we can make?

Mr. RAFSKY. Yes. We have been hesitant about saying these things specifically because we think there may be more ideas than those that have been discussed, but certainly the bill that Congress considered in 1950, and it was so close to accomplishment, would be one approach.

Mr. O'HARA. The cooperative approach?

Mr. RAFSKY. Yes. A second one, however, is to have the Government, the Federal Government, be willing to provide mortgages at rates and at terms that are within the means of the families that we are talking about. We think that that should be seriously considered because there is no reason why with the backing of the Federal Government we couldn't have mortgage terms that would result in the construction of middle-income houses.

The CHAIRMAN. That means longer mortgage terms and lower downpayments?

Mr. RAFSKY. That is right; and lower interest rates as well.

Mr. O'HARA. As I recall the bill many of us sponsored, and I am sure our chairman did, the bill in 1950, as I recall it, had that been enacted, would have brought down the cost of residential properties some 40 percent.

Mr. RAFSKY. I believe that was the estimate at the time.

Mr. O'HARA. That was the figure.

Thank you very much.

Mr. RAFSKY. Thank you.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. Mr. Rafsky, what kind of interest and what kind of reaction do you get from builders in this area in connection with section 220?

Mr. RAFSKY. Well, one of my colleagues will be testifying on that more specifically later this morning. We found originally a great deal of interest, and this was immediately after the adoption of the Housing Act of 1954 in August of 1954. We found that that dropped off, and as a result there has been very little interest, but as Mayor Clark indicated this morning, we have not given up. We are doing everything we can with the cooperation of our regional office here, of the HHFA, of the FHA, in Philadelphia, to find ways by which we can make 220 work. But Mr. Turchi, who is the assistant housing coordinator, will expand on that later on.

Mr. ASHLEY. I will defer further questions on that, then.

My next question will be directed to your statement. I wonder if you have any specific suggestion as to what action, if any, the Federal Government should take to meet the displacement problems which you touched on so thoroughly?

Mr. RAFSKY. No. 1, I would hope that in reviewing projects, whether they be title I projects or even public housing requiring displacement, special consideration be given by the Federal Government for cost factors that are involved in relocation. We think that basically our relocation staff should be expanded in recognition of the full need of the kind of staff, both in terms of quantity and certain skills, like social workers, should be recognized as a legitimate cost in handling relocation.

Secondly, I think that a great deal more study has to be done as to what techniques can be devised to make relocation work, and I would think that either under the demolition program of the Housing Act, or by special studies, that the HHFA might devise that a great deal more can be learned about this problem.

Mr. ASHLEY. I don't want to repeat a question. I believe Congressman Barrett directed a question to you relative to the minority housing situation. Perhaps it was Congressman Widnall. But I am going back to page 5 of your statement in which you point out that private housing made available to Negroes between 1946 and 1953 totaled 1,044 dwelling units, while the total private construction volume was in excess of 140,000 units. You go on, then, to say that the voluntary home mortgage credit program which has been in operation 10 months received 17 applications from minority families.

I would like to sound out your thinking on this a little bit more. Why is it, do you suppose, that only 17 applications have been received?

Mr. RAFSKY. I believe in part it is the unavailability of the kind of housing that Negroes who are able to purchase homes want to buy, and in neighborhoods in which they want to buy. I think that the private housing market is so limited that perhaps many of them are not in a position to find the kind of house for which they are seeking a mortgage.

Secondly, it may be that some of them may not know enough about the program, although I understand efforts have been made to publicize it a great deal, and that the private mortgage industry is cooperating in that regard.

I think that by and large we find that our own Negro housing community has the wherewithal to purchase homes, but that the homes themselves are not available in terms of the kind of home they need as well as the neighborhood in which they want to buy it, and that I think may explain why there has been such a small number of applications.

Mr. ASHLEY. I think that is all, Mr. Chairman.

The CHAIRMAN. Without unduly delaying and carrying it too far, there is one matter I want to ask you about. What about section 314, the one which provides for grants in slum clearance and urban renewal? Have you applied for assistance under that program?

Mr. RAFSKY. Yes, we have.

The CHAIRMAN. What do you think about that? Have you been able to work it out?

Mr. RAFSKY. We submitted three different propositions. We were unable to work out one proposition entirely. It was rejected for a number of reasons, involving cost, and the fact that they thought they wouldn't learn too much from it of use to other areas.

A second one was rejected twice, but we have appealed and they are reconsidering a third submission on the second project and we hope that we will be able to work something out.

A third one is sort of held in abeyance until we can work the second one out, but we were turned down the first time we submitted it.

Now, I don't know all of the reasons for the turndown, but we feel that the projects we have submitted were important, something that would help the city as well as help other cities in the country.

The CHAIRMAN. How long have you been working on the program of the turndowns which you mentioned?

Mr. RAFSKY. I think we first started December of last year in preliminary discussions with the Federal agencies on 314 projects.

The CHAIRMAN. You think that is a good section in the law if it can be unharnessed; don't you?

Mr. RAFSKY. Yes; I do think it is a good section. I don't think, however, that it is a real substitute for research that the housing authorities could undertake, but I do think 314 could be of help to the overall housing program.

The CHAIRMAN. Thank you, Mr. Rafsky. You are a good witness. Thank you very much.

(The material submitted by Mr. Rafsky is as follows:)

STATEMENT BY WALTER E. ALESSANDRONI, EXECUTIVE DIRECTOR, THE PHILADELPHIA HOUSING AUTHORITY, PHILADELPHIA, PA.

I. PUBLIC LOW-RENT HOUSING IS AN ESSENTIAL PART OF URBAN RENEWAL

Public low-rent housing is one ongoing program which has been steadily serving large numbers of people and generally serving them well while we have been talking and planning for larger programs for improving and perhaps saving our cities.

II. MAJOR RECOMMENDATIONS FOR PUBLIC HOUSING AS PART OF THE TOTAL RENEWAL PROGRAM

Philadelphia is proud of the start it has made in many fields, including a fairly substantial low-rent public housing program. But the immediate need is still great. The long-term need is also apparent as an essential part of the

total renewal program. The actions at the Federal level which will increase its scope and effectiveness are:

1. A larger public housing program nationally.
2. Planning and funds for at least a 10-year program.
3. Genuine local autonomy.
4. An independent study process of Federal central and regional relations with local authorities throughout the housing field, aimed at clear and proper definition of separate responsibilities.

### III. PUBLIC HOUSING HAS SEVERAL CRUCIAL ROLES IN RELATION TO THE TOTAL PROCESS WHOSE MOMENTUM WE ARE TRYING TO INCREASE

1. The housing supply is increased, especially for low income and larger families and for relocation as a result of other public programs. While only a part of the relocated families go into public housing, they are often the most difficult elements to relocate. The absence of a supply of public housing would slow up the other processes even more.

2. City revenues are increased. Payments in lieu of taxes by public housing have directly tripled income to this city from 13 sites already acquired. Reductions in less tangible costs to the city are equally real but more difficult to measure.

3. Strengthening older neighborhoods where most of the structures are sound is a valuable role of public housing as it becomes an immediate part of the selective surgery which is applied to those neighborhoods worth saving.

4. Well-managed, well-designed, and well-built public low-rent homes can serve as a barrier to physical decay between stable neighborhoods and those which are already badly deteriorated. Through public control of budgets, buildings, and grounds, and occupancy standards, public housing can play a strengthening role.

5. Public housing in some instances can afford to do actual clearance of slums but as outlined below under "Density," this is largely not possible or not desirable without substantial site cost writedowns.

### IV. NEED AND SUPPLY OF PUBLIC HOUSING

The need for public housing has continued strongly during 1954 and 1955. During the first 6 months of 1955 alone, there were 13,039 inquiries in person and 26,365 telephone inquiries. New applications were completed by 5,792 families; 1,677 families were moved into homes of which about 600 were in 3 newly completed developments. The average rent in the entire graded rent program is about \$44 per month at this time which includes \$14 worth of utilities. As of this time, there are over 8,000 eligible active applications from families seeking public housing.

### V. SITE ACQUISITION, COST, DENSITY, AND DESIGN

The planning commission is presently working closely with the housing authority on the selection of appropriate sites. Philadelphia is proud of a balanced public-housing program which includes not only various urban-renewal programs but public-housing developments throughout the city of various sizes and designs. There are four major types of sites possible:

1. Vacant outlying land.
2. Small vacant sites in areas where the structures are largely worth saving.
3. Small mixed sites including some vacant land to reduce cost and partial clearance. These often occur or are most appropriate in or on the fringe of pockets of housing blight.
4. Slum clearance of considerable scale.

The costs of acquiring build-up slum areas are so extremely high that either the total cost per dwelling, including site acquisition, will rise far above limits of the United States Housing Act, or densities of population on the land must be doubled or tripled to reduce the average cost of site acquisition per dwelling. Such increase in density is usually undesirable in large sections where overcrowding is already the major factor in blight and destructive living conditions.

Writing down land costs on a major scale is essential if public housing is to be part of physical demolition of slum areas. A good start has been made in Philadelphia in this respect where the redevelopment authority has already

purchased three sites and handled demolition before turning them over to the housing authority at a substantially lower price. Two more small sites have been scheduled. However, the capital improvement program of the city of Philadelphia, including financial aid through redevelopment for public-housing sites, will include no additional help to public housing for the next 6 years. Also there is need for redevelopment aid to aid in purchasing smaller public-housing sites or groups of sites as distinguished from broad redevelopment areas. Present requirements for large area plans make this impossible, even though it might be desirable in some sections.

But redevelopment action and land writedown, along with neighborhood design and the use of all urban-renewal programs, are needed in treating many other areas besides the two which have now received considerable treatment and the major Eastwick program in a largely vacant or underdeveloped area. It is the consensus here that elevator apartments and tremendously increased densities of families with children on the land, street, and community facilities, make sense only for a part of the public-housing and all urban-renewal programs, and in some especially appropriate locations.

#### VI. FEDERAL FINANCING IS ESSENTIAL FOR LOW-RENT HOUSING, MIDDLE-INCOME HOUSING AND REDEVELOPMENT

The need for writedown of site acquisition costs and the clear sociological need for designing neighborhoods to serve a wide range of American population by age, income group, and all other factors, is clearly in the interest of the health of the democracy as well as for the financial base of cities. The need for Federal financing in the process, both by extending the public-housing formula and the title I redevelopment formula is apparent, as these are the best major tools yet developed

However, strengthening a metropolitan area in financial, administrative, and sociological terms requires not only healthy cities but well-designed, functioning, self-regenerating neighborhoods. The process of neighborhood design requires the possibility of adequately relating different programs in quantity and in time. The pipeline for neighborhood redesign, including work of a planning commission, redevelopment authority, housing authority, department of health, school district, recreation department, other public works, and citizen groups, is not less than a 3- to 5-year pipeline. It is usually even longer. An effective city-renewal program must have a capital improvement budget where each program and each part of a program must be related in time to the city budget as a whole and to the work in each neighborhood for purposes of neighborhood leadership and participation, relocation, and the morale of the neighborhood. Parts A, B, C, D, etc., of a program, such as has already been launched in the Poplar and Temple areas, must have a clear time relationship to each other, rather than a totally random occurrence. The latter is far more costly in money as well as destructive to the human goals sought in renewal.

Federal legislation should, therefore, be viewed as a long-time effort with funds, allocations, and other controls or planning authorized and carried out on not less than a 5- and preferably a 10-year basis. This is a long campaign requiring at best under present procedures and quantities, 25 to 50 years for substantial progress. Only a drastically improved concept and program regarding the economic potential of this Nation, plus the vital importance of regenerating largely aged and unsuitable city structures, could accomplish a substantial speedup. Since the whole process of urban renewal is clearly such a long campaign, the year-to-year legislative and administrative crises of the Federal agencies are a major obstacle to adequate planning and action at the local level.

Part of this difficult skip-stop program has been the failure to devise procedures for each year's new program until many months have passed. Authorization to proceed with the 1954-55 program was not given until 9 months of the fiscal year had already passed. Philadelphia made strenuous efforts to prepare all of the piles of papers and get them in so that approvals were received on June 30, 1955. In this fiscal year, more than 3 months have already passed and we were told that a meeting would soon be held in Washington to discuss procedures for enabling local authorities to proceed with the 45,000 public housing dwellings voted in July.

#### VII. GENUINE LOCAL RESPONSIBILITY

Stories are widespread of excessive delays by the Federal agencies. The general tendency of the Federal agencies is to assume greater and greater control over more and more detail of the local programs. Local authorities are prac-

tically unanimous in recommending that there should be genuine regional autonomy rather than complete centralization in Washington. Federal-local relations appear to need detailed review, and possibly even more, relations among the various Federal agencies.

The Philadelphia Housing Authority is particularly interested, along with interested civic groups, in designing small rows or groups of fairly typical homes at a minimum cost to fit into older but stable neighborhoods. These dwellings would be nonproject in nature. However, such a program of scattered construction which would meet with wide community support is not in accordance with the standards for design regulations of the Public Housing Administration for construction of projects. New procedures must be adopted which will make it possible to build under local codes and for this practical, economical, and popular approach to be followed through.

VOLUNTARY HOME MORTGAGE CREDIT PROGRAM, REGION 3 COMMITTEE

*Rejected applications*

Name	Location of property	Reason for rejection
1. Beaufort, Isadora.....	1605 North 6th St , Philadelphia..	According to the lender, "FHA will not agree to insure loans in this area because of the age and condition of the properties"
2. Chappelle, John R., Jr....	274 South Hirst St , Philadelphia.	Applicant withdrew application after lender offered to make the loan.
3. Hampton, James.....	1926 Lombard St., Philadelphia....	Property below acceptable standards.
4. Miller, Howard M.....	4727 Sansom St , Philadelphia.....	Credit and income below acceptable standards
5. Phillips, Willford.....	5915 Osage Ave, Philadelphia.....	Applicant failed, or refused, to reply to lender's correspondence and efforts to negotiate a home loan on the property he wished to purchase
6 Young, Augustus.....	2030 North 20th St , Philadelphia.	Property below acceptable standards.

The CHAIRMAN. We have one other witness before we get our food. The next witness is Mr. G. Holmes Perkins, president of the Philadelphia Housing Association.

Come around, Mr. Perkins.

Mr. PERKINS. Thank you, Mr. Chairman.

The CHAIRMAN. We are glad to have you.

Mr. PERKINS. It is a very great pleasure to be here.

The CHAIRMAN. I see you have a written statement which is not too long, so if you desire you may proceed to read your statement.

Mr. PERKINS. Thank you.

**STATEMENT OF G. HOLMES PERKINS, PRESIDENT, PHILADELPHIA HOUSING ASSOCIATION**

Mr. PERKINS. The Philadelphia Housing Association has been in the business of trying to improve housing for quite a number of years, specifically since 1909, and, therefore, we especially welcome this opportunity to present our views before your committee on urban renewal with particular reference, as you have requested it, on the rehousing of displaced families.

The CHAIRMAN. We are glad to have you, sir.

Mr. PERKINS. Your committee is interested in knowing whether section 105 (c) of the Housing Act of 1949 is being complied with. This section sets as a condition precedent to contracts providing Federal aid to redevelopment undertakings the requirement that—

there be a feasible method for the temporary relocation of families displaced and that there are or are being provided areas not generally less desirable and at rent or prices within the financial means of the families displaced, decent,



safe, and sanitary dwellings equal in number, and available to, displaced families and reasonably accessible to their places of employment.

The administrative regulations to implement this requirement are set forth in the Housing and Home Finance Agency's local Public Agency Manual. Under these regulations, families temporarily rehoused in accommodations below acceptable standards, as well as families who voluntarily move into structures which are not decent, safe, and sanitary, are to be regarded as temporarily relocated until they are assisted to obtain dwellings which meet the requirements of the act.

On the basis of reports issued by the local redevelopment agency, and our knowledge of the housing situation in Philadelphia, we do not believe that the relocation requirements are being or can be fully complied with because, in spite of extraordinary local efforts to improve housing conditions, the programs and resources do not now exist to provide a "decent, safe, and sanitary dwelling" to every displaced family. The possibility of suitable provision for relocation housing becomes even more remote if the various programs of urban renewal were to be made fully effective.

It is true that families have moved, some of them to better accommodations than they had previously occupied, but reports of each relocation operation carried out so far show that many families have either chosen or been forced to accept unsatisfactory accommodations. According to the redevelopment authority, of 343 families relocated from a portion of the southwest Temple redevelopment area to make way for the Harrison public housing project, 178 moved into structures rated unsatisfactory. Furthermore, one-quarter of the families relocated within a mile of the site, thereby increasing congestion in already crowded areas and hastening blight in blocks which cannot with present resources be cleared in the foreseeable future.

The major reasons for relocation difficulties are fairly obvious. Occupants of blighted areas are seldom there from choice. Economic dependency means inability to pay for decent shelter. Members of the Negro group are largely tied to blighted areas because new housing in better neighborhoods is denied to them, and in 1950 there were eight times as many Negroes living in dilapidated housing as were white families.

The CHAIRMAN. I would assume that the proportion of white population to Negro population is about 4 to 1?

Mr. PERKINS. About 4 to 1.

The CHAIRMAN. All right.

Mr. PERKINS. Large families and aged persons present particular problems. So do the so-called hard-core social cases who have not been able, because of social maladjustment, to use constructively the health and welfare services available. Some of these families reject offers of better housing. Even public housing, although limited in quantity, has not been fully used for relocation housing because of misunderstanding and misconceptions about project living. Further experience with relocation operations will undoubtedly improve the results even with present resources.

For example, the housing authority can handle a few more large families, the most difficult type of family to relocate, by converting small units to larger ones. It could also purchase some 5- and 6-bedroom houses in areas adjacent to existing projects. More money and

more staff for the relocation process, more educational work with dislocated families, more intensive involvement of the caseworking agencies in the community, all would help. But these devices are palliatives. Current urban renewal programs here and elsewhere are not even beginning to attack urban blight, and cannot unless relocation needs can be met on a vastly expanded scale.

Philadelphia's 1955 relocation program, as a result of all public activities, including code enforcement, slum clearance, and urban redevelopment, highways, and other public improvements, called for the dislocation of about 3,000 families. The estimate for 1956 is about the same. Each year's program affects about one-half of 1 percent of all households in the city, considerably less than the 5,000 units estimated to be sinking into the slum category each year.

In other words, our problem is getting bigger rather than less.

We believe that not less than 10,000 families will be required to move each year on a planned, annual basis for many years to come if blight is to be ended. This estimate is based on the following: There are at least 700 blocks in Philadelphia which cannot be economically rehabilitated. They are occupied by more than 60,000 families and single-person households. Another 40,000 dilapidated dwelling units which must also be demolished are located in otherwise salvageable blocks. Thus Philadelphia must find other houses for at least 100,000 families. The goal should be at least 10,000 units per year just to get rid of the present blight, and the city will need to spend at least 10 times its present budget for relocation services. This is undoubtedly another item on which increased Federal aid must be provided.

Philadelphia is now getting the maximum amount of Federal aid for clearance that is available, around \$2 million a year for urban redevelopment. Public housing subsidies amount to another \$800,000 on 10,000 dwelling units. The city is spending more than \$14 million annually on capital programs and operating costs of various programs classifiable as urban renewal. The total expenditure is nearly \$17 million, but this is hardly a third of the amount we estimate as the rockbottom minimum need for a total approach to urban renewal.

I would like to list in briefest way the points that we see as essential to a successful housing and urban renewal program in Philadelphia. Many of these points are local responsibilities. We think Philadelphia is doing its best to perfect an overall program, but such a program cannot be carried out unless there is a workable Federal program, which means a complete overhauling and coordination of the present Federal fragments and a tremendous increase in Federal aids. My comments are based upon a document recently prepared by 11 Philadelphians with special knowledge of planning, government, law, economics, and housing. This statement on housing and urban renewal policy for Philadelphia is now being distributed by our association to various agencies in the community for review. I am happy to provide copies for this committee, if you so wish.

**The CHAIRMAN.** Thank you very much.

**Mr. PERKINS, No. 1.** Philadelphia needs a comprehensive plan. This is a continuing process, the responsibility of the local planning commission. No city in America, so far as I know, has one yet, but many cities are working toward such a plan, I believe, and Philadelphia is the leader among them. A comprehensive plan would

indicate how various areas of the city should be treated, clearance, rehabilitation, conservation, or guided growth, and show the ways in which areas should be redeveloped and renewed. At least \$150,000 needs to be spent here in the coming year—the present budget is \$50,000—and \$1 million over the next 10 years.

No. 2. New private housing, a key solution to relocation, is now down to 25,000 units per year in the metropolitan area. Private housing construction must be expanded and maintained at about 40,000 units with appropriate distribution between sales and rent, among different income groups, different family sizes, and with adequate provision for minority groups and aged persons. The essence of such a program is new financial devices to enable builders to broaden their market. Only the Federal Government can provide the fiscal devices to make possible the selling of homes to middle income families not now served by the market.

Also needed is areawide market analysis to permit continuous revision of prices, styles, etc., as needs and conditions change. Without a soundly based private building program renewal of the older areas is impossible.

No. 3. Housing code enforcement is another local program which must bear a large part of the burden for renewal. It is the chief device for keeping as much of the present housing supply usable as possible until the other programs get around to replacing it. Code enforcement probably will require a doubling of the city's present expenditures for this item. Among other devices to improve code enforcement are revolving funds for rehabilitation and city-financed information centers to help property owners with the technical problems of home and neighborhood improvement.

No. 4. I have mentioned land clearance needs in Philadelphia before. Present programs which are at capacity of existing resources are totally inadequate. Philadelphia needs at least \$20 million a year from the Federal Government, and another \$10 million from local sources, including the State. Even these figures mean a very long-range operation, at least 18 years, just to clear the areas now most severely blighted.

No. 5. Public housing requirements will emerge both from the comprehensive plan and from area market analysis. Because of shifting Federal policy and declining authorizations, local housing authorities have not been able to work on long-range programs. This is wasteful of resources and has produced some hastily built developments that do not fully meet their purpose. Long-range Federal aid should be established and adhered to. Present administrative policies should be overhauled to permit greater local autonomy in order that the program can become part of a total local attack on urban blight.

No. 6. Housing and land use standards which are usually expressed in terms of local regulatory codes can play an important role in urban improvement. Here in Philadelphia we hope the city will establish a program of continuous review and revision of the various ordinances. The housing code has just been revised but it, too, will need constant review. We also propose that the Federal Government, as part of a general research program, commit resources to studying standards on a nationwide basis so that all urban areas can be kept abreast of good practice and new methods elsewhere.

No. 7. Community facilities and services are essential to good neighborhoods and therefore to urban renewal. Philadelphia's blighted areas, as well as some of its newer neighborhoods, are deficient in many of these facilities, notably public open spaces, and land clearance will help to provide sites in areas now built up, but Philadelphia faces serious financial problems as it tries to make up for years of neglect in providing and operating needed spaces. Virtually all other cities face similar problems.

No. 8. The financing of an adequate housing program for Philadelphia will take very large sums of public money, as well as heavy private investments for both new housing and rehabilitation of much existing housing. Even assuming greatly increased Federal aid for public housing and urban renewal programs, and some State assistance for public housing, a tremendous burden will be placed on the financial resources of the city government, a burden which the existing revenue sources are unable to bear.

The program proposed by the 11 Philadelphians mentioned earlier calls for city expenditures of \$230 million during the next 10 years. This is nearly three times the present rate. Obviously, new revenue sources must be found, and it is possible that a program of the magnitude envisioned—a program essential to Philadelphia's survival—will require Federal grants for capital improvements. This possible additional Federal assistance is beyond already existing programs, and these existing programs must be expanded to give Philadelphia \$20 million a year for urban renewal—10 times the present rate and at least 2,500 low-rent housing units a year. With this expansion of Federal assistance should come an overhaul of Federal programs to establish a workable Federal program, including a Department of Urban Affairs with Cabinet status. Above all, there must be removal of red tape and procedural roadblocks if the cities are to get on with blight elimination.

#### METROPOLITAN ASPECTS

The National Government can provide leadership to the solving of housing and urban renewal problems on a metropolitan basis. Relocating 10,000 families a year in Philadelphia would mean a sizable shift in population, and this shift should not be limited to city boundaries. Location of new private housing and new public housing should be based upon metropolitan planning. The continued outward sprawl of metropolitan centers is not necessarily a desirable thing. Consideration should be given to limiting the sprawl and channeling growth to new towns built in accordance with a regional plan. The interstate nature of many metropolitan areas and the failure of States to make major corrections to the balkanized city-suburb situation call for dynamic national leadership to devise bold answers to this complex problem.

I thank you for this opportunity.

The CHAIRMAN. Thank you, Mr. Perkins.

Is your organization, the Philadelphia Housing Association; an official or unofficial organization?

Mr. PERKINS. It is a Community Chest, a private fund Community Chest.

The CHAIRMAN. And you are now the president of that organization?

Mr. PERKINS. Right.

The CHAIRMAN. What is your business?

Mr. PERKINS. I am an architect.

The CHAIRMAN. I note this statement here on the housing and urban renewal policy for Philadelphia, and I recognize many of those on there as outstanding people in the field of housing. This committee is especially acquainted with Dr. William L. C. Wheaton, who has done a lot of fine work in the housing field.

I want to compliment you for a good statement. We were talking about a bold program a while ago, and yet you stated what you really need. I say you put your finger on a bold program.

Any questions, Bill?

Mr. BARRETT. I would just like to ask one.

What time limit should be set, providing, of course, you were to get 25,000 low-rent housing units a year?

Mr. PERKINS. I don't think we suggested that we should be getting 25,000 a year in Philadelphia.

Mr. BARRETT. Twenty-five thousand total?

Mr. PERKINS. The program there was a 10-year total. We suggested to the total urban renewal job on the basis of the \$23 million yearly it would take approximately 18 years to do the job in Philadelphia, and that still wouldn't get rid of all of the new blight that develops in the meantime.

Mr. BARRETT. What percentage of those would you allocate to the aged?

Mr. PERKINS. I don't know. I really would have no way of knowing as to what percentage.

The CHAIRMAN. Mr. Widnall?

Mr. WIDNALL. No questions.

The CHAIRMAN. Mr. O'Hara?

Mr. O'HARA. No questions.

The CHAIRMAN. Mr. Ashley?

Mr. ASHLEY. This statement was handed to us by 11 distinguished citizens from this community. Are they members of the Philadelphia Housing Association?

Mr. PERKINS. Some are and some are not. I guess most of them are members of the association in one way or another as private individuals.

Mr. ASHLEY. Has this statement been approved by the Philadelphia Housing Association?

Mr. PERKINS. It has been considered by our board, and also by our executive committee, and it was to be distributed publicly for public discussion. The formal vote has not been taken to make it the policy of the association, but during the discussions in the board I would say there was as close to unanimity of agreement as we usually get.

Mr. ASHLEY. That is exactly what I was about to inquire about, and I think it is perfectly remarkable, in view of the contents of the report. I certainly have nothing but the most profound admiration for your association, and for the men and women who comprised this committee.

The CHAIRMAN. To help give it the publicity it needs, and believing that it will be of great help to Congress, I will ask that it be included at this point in the record, the statement entitled "A Statement of Housing and Urban Renewal Policy for Philadelphia."

(The statement referred to is as follows:)

CITY OF PHILADELPHIA,  
October 4, 1955.

MR. HENRY S. CHURCHILL,  
DEAN JEFFERSON B. FORDHAM,  
MR. HOWARD W. HALLMAN,  
MR. AARON LEVINE,  
MR. WILLIAM H. LUDLOW,  
MR. MARTIN MEYERSON,  
MR. ROBERT B. MITCHELL,  
MRS. DOROTHY S. MONTGOMERY,  
DEAN G. HOLMES PERKINS,  
MR. DAVID A. WALLACE,  
MR. WILLIAM L. C. WHEATON,  
Room 300, 1717 Sanson Street,  
Philadelphia 3, Pa.

DEAR SIRs AND MADAM: Thank you for sending me A Statement on Housing and Urban Renewal Policy for Philadelphia. I have read this document with great interest and believe it makes a very real contribution to our thinking on this important subject.

It will be of great assistance to the housing coordinator who is formulating an overall shelter policy for Philadelphia which he expects to complete before the end of the year.

In the meanwhile, I believe it would be a public service to have this statement widely circulated and debated during the next couple of months. For that reason I am giving this letter and the statement to the press, hoping wide public discussion will be stimulated thereby.

Sincerely yours,

JOSEPH S. CLARK, Jr.,  
Mayor.

#### A STATEMENT ON HOUSING AND URBAN RENEWAL POLICY FOR PHILADELPHIA

##### INTRODUCTION

During recent years Philadelphia has achieved a reputation as a progressive and leading city in the related fields of city planning, redevelopment, urban renewal, and housing. The city has a "workable program" accepted by Federal officials in satisfaction of legislative requirements. And yet the mayor has stated publicly that the attainment of housing and redevelopment goals is not in sight. The rate of accomplishment to date and in the foreseeable future is not sufficient either to eliminate slums or to prevent future slum formation.

This situation clearly indicates that inadequate resources are being employed to do the necessary job. Obviously additional capital and operating funds are needed. Beyond the need for more financial resources considerable time and energy must be devoted to (1) thoughtful consideration in defining the problems, in planning, and in programming; (2) organizing an effective administration for performance of necessary operations and for coordination of effort; and (3) obtaining certain State and National legislation.

The current situation implies the gravest of consequences to the city and in fact to the metropolitan area as a whole. All physical structures—human bodies, automobiles, houses, and cities—require a rate of replacement, repair, and maintenance that will prevent functional collapse through obsolescence and deterioration. Without proper care the productiveness of the city as an economic tool and as a source of governmental revenue is threatened. More important, ever widening areas are becoming unfit as places for people to live.

No policy conceived as a holding operation is sufficient. The dignity and happiness of a people with rising standards of living requires an accelerating rise of standards to be applied to the physical environment. What has been good enough in the past will not be good enough tomorrow. Good citizenship, civic pride, and morale demand a more beautiful and satisfying environment for urban life.

Yet in the face of today's housing and urban renewal problems, Philadelphia, in common with all other cities, has really no overall housing and urban renewal policy. We in Philadelphia have not faced the nature or the size of the problems. We need a policy that realistically recognizes the magnitude of the problems, that sets forth goals which are explicit but still easily understood by the citizens, and that indicates programs necessary for the attainment of the goals.

This statement is an effort in a preliminary manner to formulate a housing and urban renewal policy for Philadelphia. As the first formulation of such a policy, many aspects of the statement are necessarily tentative. But on the whole it is believed that the statement represents a fairly complete and practicable policy, which—if carried out—would produce dramatic results in Philadelphia.

The program outlined for the next 10 years would require in operating and capital funds an average of approximately \$14 million a year more than is currently being spent for housing and urban renewal. This is not at all extravagant and is actually a modest sum for the accomplishments that would result. As the total expenditures of the city have increased in the past, so may they be expected to increase in the future. In the present period of prosperity the total revenue of Philadelphia is far too little to provide sufficient funds for current operations, for the satisfaction of needs for maintenance and replacement, and for building for the future. The budget estimates of this statement are presented in the hope that they may be useful to those who will have the responsibility of shaping future budgets.

The remainder of this statement is devoted to a discussion of problems, policies, programs, and required resources in 10 aspects of housing and urban renewal: (1) comprehensive planning, (2) new private housing, (3) housing code enforcement, (4) land clearance, (5) public housing, (6) relocation, (7) racial discrimination, (8) housing and land use standards, (9) community facilities and services, and (10) financing and administrative organization.

#### I. COMPREHENSIVE PLANNING

##### *Problem*

Philadelphia has not yet achieved a comprehensive city plan showing in outline form the future development of the city, indicating how areas should be treated (clearance, rehabilitation, conservation, or guided growth), and showing the ways in which areas should be redeveloped and renewed. In the meantime decisions regarding urban redevelopment, public and private housing, commerce, industry, transportation, and community facilities are often being made without regard to the standards required for sound future growth and in a pattern which may not readily fit into the comprehensive plan when completed. Densities in public-housing projects, for instance, are so high and public open space so lacking that these projects will almost certainly be regarded as substandard 20 years hence and in fact are so regarded today by some persons. Also, the 6,315 use variances granted by the zoning board of adjustment in the past 4 years with no reference to the desired objectives of the community have had a profound and often unhappy effect on many neighborhoods.

##### *Policy*

The development and periodic revision of a comprehensive plan for the city and the metropolitan area should be made the first priority of business of the planning commission. A generalized plan should be produced within 1 year and a more specific plan within 3 years (The more specific plan should not be composed of detailed site plans.) All of the standards and preliminary determinations (including basic assumptions) involved in the comprehensive plan should be published and discussed with interested citywide groups. The comprehensive plan should be brought up to date and revisions published at intervals not exceeding 5 years.

##### *Program recommendations*

(1) The comprehensive planning division of the planning commission should be expanded, if necessary at the expense of redevelopment planning and other detailed planning.

(2) Emphasis should be placed upon the development within 1 year of the following items:

(a) Standards governing population density, public open spaces, community facilities (including schools), new industrial development areas, commercial facilities, and transportation.

(b) The delineation of residential neighborhoods with the promulgation of density and other standards for each neighborhood, and these related to transportation requirements.

(c) The delineation of major employment centers with preliminary estimates of volumes and types of employment for each.

(d) Preliminary identification of major transportation routes, balanced to carry expected volumes of persons and goods and to relate to an adequate terminal system.

(e) Identification of the priority of treatment of each neighborhood and the development of financial, legal, and administrative procedures for the achievement of planned objectives for each type of conservation, rehabilitation, and redevelopment area, indicating the following:

(i) Physical changes sought.

(ii) The financial methods to be used, including methods for financing both municipal and private activities and works.

(iii) Legal methods and administrative devices necessary to achieve the desired changes.

(iv) The effects of the changes sought upon the number and spending patterns of families now residing in the area and upon property values and property incomes.

(3) There should be developed procedures through which all operating agencies of the city will be required to conform in their programs to the standards adopted by the planning commission.

#### *Required resources*

The comprehensive planning division of the planning commission should be expanded to about 20 professional persons with a budget of about \$150,000 per year. This budget will be required for at least a 3-year period in order to develop a preliminary and a more detailed comprehensive plan.

## II. NEW PRIVATE HOUSING

### *Problem*

The volume of new private-housing construction in the Philadelphia metropolitan area has fallen from the peak level of 34,000 reached in 1950 to slightly more than 25,000 new units per year. The volume of private construction in Philadelphia has fallen even more rapidly from its 1950 peak of 12,310 to 4,708 in 1954. Present rates of residential construction do not provide enough housing to accommodate population expansion and the orderly replacement of 70,000 substandard units or the even larger number of units which are obsolete and are becoming substandard. Unless new houses are built with high quality of design and site planning, they will be the slums of the future.

### *Policy*

Private residential construction in the metropolitan area should be expanded to about 40,000 units per year with appropriate distributions between sales and rental housing, among housing for different income groups and family sizes, between homes located in the city and outside the city, and with emphasis first upon homes on now vacant land in order to make possible relocation of families from redevelopment areas, where new homes will also be constructed. New housing should meet the housing and land-use standards discussed in section VIII of this statement.

### *Program recommendations*

(1) Maximum use should be made of existing private and Federal aids in both central city and suburban areas.

(2) The building code, the zoning ordinance, subdivision regulations, and the programing of municipal facilities (streets, sewer, water, schools) should be administered and coordinated so as to remove impediments to sound private development, to act positively to increase the volume of sound residential construction, and to encourage the development of neighborhoods of adequate standards.

(3) Metropolitanwide housing marketing analysis should be conducted on a continuing basis to reveal needs and latent markets and to assure financial soundness of housing and urban renewal plans.

(4) New financial devices should be developed through State and National law to make possible the marketing of homes by private builders to middle-income families not now served by the market.



(5) Additional programs should be developed to eliminate obstacles in the market to the provision of homes for minority groups and aged persons.

#### *Required resources*

Staff assistance for the housing coordinator or a consolidated department or some other administrative device to analyze needs, to conduct market analyses, and to develop necessary local, State, and National legislation.

Resources to organize the affected building, financial, and regulatory interests in the development of plans and concerted action programs.

Resources for a public education program calling attention to legislative requirements.

The cost of this research and general administration might be about \$80,000 a year.

### III. HOUSING CODE ENFORCEMENT

#### *Problem*

Over one-third of Philadelphia's population lives in areas where housing is substandard; yet much of the housing in these areas can be rehabilitated and brought up to minimum standards. In addition, other residential areas in all parts of the city have the potentiality of becoming blighted if proper conservation measures are not undertaken. Almost no service is available to assist citizens in carrying out their responsibilities under housing code enforcement and other urban renewal programs.

#### *Policy*

All rehabilitatable housing should be brought to the minimum standards of the housing code within a programmed period of time; 6 years is a suggested goal. All housing now of good quality should be conserved and not allowed to become substandard.

#### *Program recommendations*

(1) Neighborhood inspections should take precedence over all other inspections except emergency situations discovered by complaints.

(2) In selecting neighborhoods for intensive inspection the comprehensive city plan, when completed, should serve as a guide. Meanwhile, inspections should start in areas where the structures are basically satisfactory but where other conditions are unsatisfactory.

(3) Inspection in areas scheduled for clearance within the next, say, 5 or 10 years, should be done on a stopgap basis to correct deficiencies which endanger life and spread disease, but no attempt should be made to achieve complete rehabilitation of the dwellings in these clearance areas.

(4) A city revolving fund should be established for loans to owner-occupants unable to secure from private sources funds needed to comply with the housing code. The city through a regular city department or through the housing authority or redevelopment authority should buy certain structures, rehabilitate them, and sell them when necessary to carry out renewal plans.

(5) A number of urban renewal district service offices should be established to assist owners, landlords, tenants, and neighborhood groups in understanding their rights and responsibilities, in rehabilitating their properties, and in solving problems that arise from urban renewal programs.

#### *Required resources*

A peak of 150 housing inspectors and complementary educational and clerical staff; 125 inspectors in 1956 and 150 in 1957 and each following year until the program is completed. Estimated cost: \$1 million a year (presently about \$500,000 a year is being spent).

A revolving fund, amounting to \$1 million in the beginning and more later, if needed, to assist owner-occupants to rehabilitate their homes.

A revolving fund, amounting to \$2 million in the beginning and more later, if needed, to be used by the city (a) to make repairs where there is noncompliance with money to be recovered through liens on the property, and (b) to buy and rehabilitate houses and then sell them.

### IV. LAND CLEARANCE

#### *Problem*

It is estimated that Philadelphia now has 700 blocks which cannot be economically rehabilitated and at least 200,000 people living in these blocks. At least another 100,000 people live in isolated slum structures which must be eliminated. In addition, at least an estimated 5,000 dwelling units each year

are sinking into the slum category. Slum areas include both small pockets of dilapidated housing in otherwise sound areas, and large districts in which all the housing and virtually all the community facilities are completely deteriorated. Yet, despite the economic and social loss created by slums, only 4,000 slum dwelling units have been demolished by all private and public programs in Philadelphia in the 10 years since World War II. This is only a fraction of the dwelling units which became substandard in the decade.

#### *Policy*

All slums, both in isolated pockets and in large districts, should be eliminated within a programmed period; for example, 18 years, which is the total of three 6-year capital programs, and provision should be made for the removal from the housing supply of all those units which will naturally, over time, complete their useful life.

#### *Program recommendations*

*Priority 1.*—The first focus for public investment for clearance and rebuilding should be on protecting the present committed investment in redevelopment for North Philadelphia by expanding the area of these operations.

*Priority 2.*—The concentration of as yet unallocated public funds for clearance and reuse of the blocks of blight located in those sound areas most in danger of deterioration.

*Priority 3.*—The acquisition and redevelopment of the worst blighted areas in the city proceeding on the following bases: (1) Districts large enough to encourage private investment in rebuilding; (2) a sufficient rate to remove fairly rapidly the slum character of the area; and (3) a program scheduled in stages so as to avoid both the complete population displacement at any one time and the destruction of community groups.

*Priority 4.*—Opportunity areas, such as blighted vacant land, where little or no subsidy is required and where there are substantially no relocation problems.

#### *Required resources*

Annual estimated cost for land clearance will be about \$30 million—one-third coming from the city (some in noncash grants) and two-thirds from the National Government.

A revolving fund of \$1 million should be created for opportunity projects. (Most of the \$800,000 the city appropriated for the north triangle redevelopment area will be available for this purpose when the land is cleared and sold.)

### V. PUBLIC HOUSING

#### *Problem*

Many families in Philadelphia have low incomes and are unable to afford safe and sanitary housing provided on the private market, and consequently find shelter only in substandard housing. Generally rehabilitated housing and new private housing in redevelopment areas will rent for amounts beyond the ability of low-income families to pay. Since urban renewal programs tend to dislocate mostly persons with low incomes, these programs will fail unless decent, low-rent housing is available for relocation purposes.

#### *Policy*

Pending the completion of the comprehensive plan and detailed market analysis, the following goals should be met: 2,500 units per year of subsidized, low-rent public housing under the Federal program; and 1,000 units per year of subsidized, low-rent public housing under a State program. The purpose of public housing should be to provide decent housing in a suitable environment for low-income families. Public housing should be built in accordance with standards for neighborhood design and density prepared as part of the comprehensive plan. To facilitate social integration with the larger community, public housing should be built in small projects and on scattered parcels and should be built on vacant sites in developing areas and in stable neighborhoods (and never should be built in large, institutionalized projects). New and good older private housing should be acquired on the open market and operated as public housing. Conversely public housing should be sold to private owners if by doing so a higher income group can be introduced into a neighborhood where low-income families predominate. Public housing should enter clearance areas only as part of large-scale rebuilding that has housing for a mixture of income groups.

*Program recommendations*

(1) Continuation of national public-housing program with revisions necessary to carry out the policy stated above.

(2) Initiation of a State public-housing program.

(3) Development of administrative procedures to make public housing conform with the comprehensive plan and, where applicable, with detailed renewal plans.

*Required resources*

Subsidy by annual contributions from State and National Governments. The subsidy for postwar projects has been about \$50 per unit per year.

## VI. RELOCATION

*Problem*

The many current and future programs of public improvement have caused and will cause dislocation of persons from their homes and businessmen from their establishments.

*Policy*

All persons displaced by public action should be relocated to satisfactory accommodations whether displacement be from residential or business quarters.

*Program recommendations*

(1) Relocation should always keep abreast of displacement.

(2) Subsidy measures should be established by legislative action to handle the relocation of businesses.

(3) There should be an adequate volume of new public, low-rent housing and new private, middle-income housing to accommodate persons dislocated. Assurance should be given that private housing will be available to minority groups now excluded.

*Required resources*

Annual residential dislocation under the program recommended by this statement will be approximately 10,000 families (including 1-person families) due to Housing Code enforcement, redevelopment action, and other public improvements. Cost per family will be at least \$50, making an annual cost of \$500,000. Relocation of businesses will require further funds, perhaps \$100,000 a year. About half of the amount needed for relocation will be available as part of the Federal contribution to redevelopment.

## VII. RACIAL DISCRIMINATION

*Problem*

Racial minorities, particularly Negroes, are forced, through discriminatory practices in housing and real estate, to live concentrated in the older central neighborhoods of the city. As a group they have not been able to move freely to all parts of the metropolitan area but instead have been limited to an extension of segregated neighborhoods.

Almost no new housing for sale or rent has been constructed or is being constructed for occupancy on a nondiscriminatory basis in the city or metropolitan area because land is not available and builders are not willing or able to build or sell to Negroes. Negroes are thus limited to living in secondhand housing.

The enforced concentration of minorities results in their exploitation, in the overcrowding and overuse of their homes and community facilities, and contributes to increasing blight and a breakdown of family living.

*Policy*

The city government in all of its functions should make no distinctions among citizens as to race, color, creed, or national origin.

Housing needs of all groups and income levels should be met without regard to color. The actions of government should be toward the ending of discrimination and the promoting of a free market in housing in the city and the metropolitan area and not in reinforcing residential segregation.

*Program recommendations*

(1) State legislation should be enacted to provide for no discrimination on the basis of race, creed, color, or national origin in the selling or renting of publicly aided or insured housing. (Since the solution of the problem of racial

discrimination should be on a metropolitan basis, recommendations for State action apply to both Pennsylvania and New Jersey.)

(2) A State human relations commission should be established, among other things, to enforce State fair housing laws and to work generally to end discrimination in housing throughout the State and in the Philadelphia area especially in the suburbs.

(3) Public housing site selection and development should be designed to minimize concentration of Negroes and to maximize their distribution in good neighborhoods consistent with the other objectives of sound planning.

(4) Comprehensive planning, which in its implementation inevitably involves population redistribution, should insure, through density and housing type recommendations, a reduction in concentration by income groups consistent with other objectives of sound planning.

(5) The Commission on Human Relations should undertake a greatly enlarged public educational program and should encourage public agencies to operate their programs so as to promote nondiscrimination.

(6) A joint city-State program in cooperation with private builders should be initiated to construct demonstration, private-housing developments with open occupancy. The city should establish a revolving fund for loans at a low interest rate to builders to be used as working capital for demonstration projects.

#### *Required resources*

The staff and budget of the Commission on Human Relations should be increased from its present size of 20 persons to a total of at least 35 employees so that housing work can be increased. This would mean the housing aspects of the Commission's work would cost about \$120,000 annually.

The establishment of a revolving fund with an initial appropriation of \$5 million for loans to builders of demonstration, open occupancy projects.

### VIII. HOUSING AND LAND-USE STANDARDS

#### *Problem*

Philadelphia needs housing and land-use standards that are meaningful and that do not inhibit experimentation and quality of production. However, experience indicates that a "standard" is a minimum requirement which almost always tends to become a maximum, and every attempt to raise standards is bitterly fought on so-called economic grounds. It is therefore desirable to divide standards into three types: (1) Those resting on a firm base of clearly demonstrable data, such as strength of materials and analogous provisions of codes; (2) those generally accepted by consensus of qualified experts and assumed reasonable by legislative bodies, such as indoor plumbing, ventilation of spaces, and the like, and (3) those which are in process of formulation and acceptance, and which might better be considered "criteria," such as minimum room sizes, right-of-way widths, acres of recreation per 1,000 persons.

#### *Policy*

There should be a review and possible revision every 5 years of the 4 principal sets of ordinances or regulations containing "standards" (a) Building code (including plumbing and electrical); (b) housing code and fire code; (c) zoning ordinance, and (d) subdivision regulations. In addition, the comprehensive plan will have standards and criteria for community facilities, and these should be periodically reviewed for needed revisions.

The present zoning ordinance and its present enforcement is now the most potent single force causing the spread of blight in the city; therefore, until a new ordinance is enacted the zoning board of adjustment should grant only the minimum number of necessary variances instead of its present policy of refusing the minimum number.

#### *Program recommendations*

(1) The zoning ordinance should be immediately and completely revised and remapped.

(2) The building code should be revised in many important aspects affecting the design and planning of housing, particularly row houses.

(3) The new housing code should be continually studied the first few years of its operation so as to determine what, if any, revisions are necessary, based upon experience of enforcement.

(4) Consideration should be given to a policy of steadily raising the standards for subdivisions and to the development of equitable procedures for requiring subdividers to provide adequate neighborhood open space.

*Required resources*

Two hundred thousand dollars for revision and mapping of the zoning ordinance and \$50,000 for revision of building code. In addition, there are continuing administrative costs, currently at about \$500,000 a year.

## IX. COMMUNITY FACILITIES AND SERVICES

*Problem*

Many parts of Philadelphia are deficient in adequate community facilities and services. Schoolyards, playgrounds, and small parks for neighborhood recreation are far below needs in many sections, particularly in older and poorer areas where the need is greatest. Available areas sometimes lack adequate recreational leadership. Despite a very active school-construction program, schools are in some cases overcrowded and many buildings are obsolete. Public health and social welfare programs, although improving, are not brought sufficiently into neighborhood areas.

*Policy*

Bringing dwelling structures themselves up to acceptable standards should be supplemented and encouraged by the provision of adequate and attractive schools, playgrounds, parks, health centers, and other community facilities, and sufficient staffing of such facilities by well-trained personnel.

*Program recommendations*

(1) Based on the standards for community facilities established by the comprehensive plan, emphasis should be placed on improving community facilities in areas where conservation, rehabilitation, and redevelopment programs are active, and in accordance with the renewal plans for these areas.

(2) In the undeveloped and partially developed sections of the city, adequate land for community facilities should be promptly acquired as indicated in the physical development plan to be developed gradually as population increases.

(3) To the greatest extent possible, department of recreation, Fairmount Park Commission, and school recreational programs should be coordinated. Rather than duplicating facilities, a program for joint use of facilities should be developed where appropriate. The recreation coordination board, provided by the city charter, should be more fully utilized than at present.

*Required resources*

Pending establishment of standards for community facilities and measurement of the gap between existing facilities and standards, only tentative estimates of costs can be made: annual capital costs of \$5 million for schools, \$8 million for parks and playgrounds, and \$5 million for other facilities. The city and board of education's share of land acquisition costs can be reduced to the extent that land clearance can be accomplished as part of federally aided urban renewal projects.

## A. FINANCING AND ADMINISTRATIVE ORGANIZATION

*Problem*

The financing of an adequate housing program for Philadelphia will take very large sums of public money, as well as heavy private investments for both new housing and rehabilitation of much existing housing. Even assuming greatly increased Federal aid for public housing and urban renewal programs, and some State assistance for middle-income housing, a tremendous burden will be placed on the financial resources of the city government, a burden which the existing revenue sources are unable to bear. Nevertheless, without a housing and urban renewal program of this magnitude, a continuing decline in real and personal property tax base will make increasingly difficult the problem of financing the city's essential services. Furthermore, without a vigorous renewal program the city will not be a place where people will want to live.

The established administrative patterns do not now function to coordinate effectively and economically even the presently operating segments of the program. For example, new public housing in amount, location, housing types, and apartment sizes is not planned to accord either with relocation needs of code enforcement and land clearance or physical plans for renewal areas.

*Policy*

To provide decent housing in attractive neighborhoods, and thus to protect and augment the city's tax base, a workable method should be found to increase city

revenues and to channel greatly increased funds into the various segments of the program in the proper amounts and at the proper time. At the same time, effective administrative mechanisms should be developed to coordinate the city's own programs and those at the Federal and State levels into an effective program for urban renewal.

#### Program recommendations

(1) A study to indicate the extent to which the proposed program may become at least partially self-supporting through such means as increased permit and licenses fees to pay for code-enforcement programs, and earmarking the increment in tax revenues from urban renewal areas for debt service on bonds financing capital expenditures in these areas.

(2) A bold study setting forth alternative methods of increasing municipal revenue sources to finance those elements of the program which cannot be self-financing. This study should also indicate to what extent other than local sources will be required, and it should recommend Federal and State formulas for providing such nonlocal funds.

(3) Effective use of the capital budget and program to make funds available for carrying out, according to a priority schedule, the coordinated development of area-by-area urban renewal plans.

(4) Determination of better procedures for coordinating code enforcement, urban renewal, relocation, and public housing. Consideration should be given to bringing together the functions of the department of licenses and inspections, the redevelopment authority, the housing coordinator, and the housing authority in a single department. Pending integration of the two authorities into the regular city administrative organization, the policymaking responsibilities of the authorities' boards should be recognized. The interagency committee set up by the Housing Coordinator should be strengthened by adding representatives of these boards and should broaden its concern to the formulation of basic policy.

#### Summary of required resources

This statement is intended to deal primarily with matters of policy and program. Cost estimates are given in order to show the magnitude of the program. Therefore, the table presented on the following page should be read with an awareness that while the amounts shown have a basis in fact they are only tentative. Also, the table makes no attempt to separate in its totals "capital," "operating," and "revolving" funds. Except for parks and playgrounds, no estimate is made of additional operating costs due to capital programs although surely there will be such costs. The table, then, is a general summary of required resources needed to carry out the program that this statement outlines.

	Estimated present annual expenditures	Estimated future expenditures	
		1st year	10 years
<b>City</b>			
Comprehensive planning .....	\$50,000	\$150,000	\$1,000,000
Research, general administration .....	40,000	80,000	800,000
Housing code enforcement .....	500,000	1,000,000	8,000,000
Land clearance (capital) .....	1,000,000	7,000,000	70,000,000
Relocation .....	13,000	350,000	3,000,000
Racial discrimination .....	60,000	120,000	1,200,000
Housing and land-use standards .....	500,000	750,000	6,000,000
Community facilities			
Parks and playgrounds:			
Capital .....			
Operating (additional) .....	3,000,000	8,000,000	80,000,000
Other .....	4,000,000	100,000	1,000,000
Revolving funds			
Rehabilitation loans to owners .....		1,000,000	1,000,000
City rehabilitation of dwellings .....		2,000,000	2,000,000
Land clearance, opportunity areas .....		1,000,000	1,000,000
Open occupancy demonstration projects .....		5,000,000	5,000,000
Total .....	9,163,000	31,550,000	230,000,000
Board of Education (capital) .....	5,000,000	5,000,000	50,000,000
State government. Public housing subsidy .....		600,000	33,000,000
<b>National Government</b>			
Public housing subsidy .....	800,000	3,000,000	99,500,000
Urban renewal grants .....	2,000,000	20,000,000	200,000,000
Grand total .....	16,963,000	60,150,000	612,500,000

The CHAIRMAN. Thank you very much, Mr. Perkins, for appearing.

Mr. PERKINS. Thank you very much.

The CHAIRMAN. The committee will stand in recess until 2 o'clock.

Thank you very much.

(Whereupon, at 12:35 p. m., a recess was taken until 2 p. m. of the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

We did well this morning. We kept up to schedule, which is a little difficult. We want to compliment the committee and the witnesses.

The first witness this afternoon is Mr. Harry Madway, who is going to give us the builders' experience he has had in Philadelphia under 220.

We are glad to have you, Mr. Madway. You may proceed.

#### STATEMENT OF HARRY K. MADWAY, MADWAY ENGINEERS AND CONTRACTORS

Mr. MADWAY. My associate, Bernard Weinberg, and I welcome the opportunity to appear before your committee in its discussion of the National Housing Act, section 220, rental housing program. We hope that our experiences in connection with the North Triangle redevelopment project will aid your committee in evaluating this program.

Mr. Weinberg and I are the principals and sponsors of the North Triangle redevelopment project. We are and have been for a number of years active homebuilders and apartment developers. A substantial portion of our operations has been under the auspices of various FHA programs.

Our interest in the field of private redevelopment was stimulated by several discussions with Mr. Francis Lammer, executive director of the Redevelopment Authority of the City of Philadelphia. We were invited to meetings held in March of 1954 which were designed to formulate a program for this redevelopment project.

In April 1954 the North Triangle redevelopment program was advertised for bids. Our bid, along with others, was submitted on June 11, 1954. On June 14 we were awarded the bid.

There is one characteristic of this project which cannot be over-emphasized—North Triangle redevelopment project has not 1 penny of Federal subsidy. The city of Philadelphia, with commendable foresight, provided the funds some time ago for the acquisition of the site. These funds have been appropriated and are presently encumbered. The financing of the construction of the project, for which Federal insurance is being sought, will require the advance of private funds only.

At the time that our bid was submitted there were discussions in the industry which indicated that the 1954 National Housing Act, which was then under consideration by the Congress, would contain special financing aids for urban redevelopment by private enterprise.

It was not until the 1955 act was passed, however, that section 220 offered any practical assistance to our development.

The CHAIRMAN. Why?

Mr. MADWAY. The 1954 act was not completely useful because among other things there was a \$5 million ceiling on a commitment.

The CHAIRMAN. Yours is not \$5 million, is it?

Mr. MADWAY. Ours is substantially above that.

The CHAIRMAN. All right. What about the value? Does that have anything to do with it?

Mr. MADWAY. Yes. I am coming to that.

The CHAIRMAN. All right.

Mr. MADWAY. By the very nature of the redevelopment process entire neighborhoods are required to be renewed. Thus a ceiling of the size stipulated in the 1954 act would unnecessarily inhibit an adequate redevelopment job of any appreciable size.

Secondly, the 1954 act had an unworkable valuation base in requiring that the standard of valuation be long-term economic value when, in fact, the areas in which redevelopment jobs are required are generally expensive to work in, and, in addition, are areas in which the determination of long-term economic values are at best a poor guess. The new amendments, which now use current replacement cost as the standard of value, are much more realistic and workable.

Since the 1954 act was not useful to us we found it necessary to explore the conventional mortgage market. The size of the development and the novelty of the private redevelopment concept, together with the tightening of mortgage credit effectively inhibited a satisfactory conventional mortgage commitment despite many months of discussion and negotiation.

Thus, until the 1955 act was enacted the financing of this development was effectively blocked. Since that date, however, we have moved forward with utmost dispatch.

A chronology of the steps which have been taken may be of interest to you.

The new act was enacted on August 11, 1955, and was made effective by the Administrator on August 15.

Even prior to this date, and in anticipation of its passage, the redevelopment authority had submitted to Urban Renewal Administration of the Housing and Home Finance Agency this project for certification under the terms of the Housing Act as a qualified urban renewal area within the city of Philadelphia's workable program. On July 19, 1955, this request for certification was granted.

Shortly after the passage of the new act an informal meeting with the local office of FHA was held under the procedure suggested by the FHA regulations. At that time some of the preliminary problems were raised and a decision was made to file a formal application for commitment under section 220.

On August 19, 1955, just 4 days after the new act became effective, a formal application, together with the payment of the filing fee, was made to the local office of the Federal Housing Administration.

The CHAIRMAN. Could I interrupt you there? All of that chronology sounds out of order as to what has been going under 220. Did you apply under the 1954 act for 220, or were you operating under conventional?

Mr. MADWAY. We could see right off the bat that the 1954 act would not work with our development.

The CHAIRMAN. So you did not apply?

Mr. MADWAY. We did not apply.



The CHAIRMAN. Then you worked on conventional financing for a long time, and to make a long story short after you found you couldn't get conventional financing you filed on 220?

Mr. MADWAY. Right.

Mr. GAMBLE. You are working on that now?

Mr. MADWAY. Yes.

The CHAIRMAN. All right. Go ahead.

Mr. MADWAY. Since the date of the filing we have had a number of discussions with the local office relating to the technical problems raised by the application.

Mr. ASHLEY. May I interrupt there? What technical problems are there? Give us a rundown on what you mean by that.

Mr. MADWAY. The new act became effective August 15. The regulations had not yet even been issued, so that many of the problems that we raise—for instance, in our development we had the problem of the size of the development possibly even exceeding the new statutory ceiling of \$12½ million. Even though we had filed formally, we had to discuss that problem along with several others. We had a discussion on the mortgage-per-room ceiling, the regulations of a \$2,700-per-room ceiling, with discretion in the Administrator to increase that by \$1,000 in an area which had been declared by the Administrator to be a high-cost area.

Well, that sort of determination had been made, for instance, for the New York area. It was our feeling, and our experience, that it doesn't cost much less to build an apartment house of the type we were talking about in the center of the city in Philadelphia than New York. So that was a second problem we had to discuss.

Mr. GAMBLE. Have you been declared a high-cost area?

Mr. MADWAY. We have not; but it is our understanding that the assembling of the data required to make such a determination is presently being done by the local FHA office.

The CHAIRMAN. Are you expecting to get the \$3,700-per-room cost on 220?

Mr. MADWAY. We do not expect to get \$3,700. We feel that we need something substantially more than the \$2,700 limit.

The CHAIRMAN. Do you think that anything less than 10 percent as builders' profit on this project you are talking about is fair and adequate?

Mr. MADWAY. No; I do not.

The CHAIRMAN. Are you expecting to get 10 percent?

Mr. MADWAY. Our application is based on an 8-percent builder's fee.

The CHAIRMAN. I believe in New York they allow 7½. Can you build it on 7½?

Mr. MADWAY. That is calling it pretty close. Since we applied for 8, I imagine we won't fight too much over a half a percent.

The CHAIRMAN. What will the rents be in the project you plan to build?

Mr. MADWAY. Our application stipulated that we would charge \$35.13 per month per room.

The CHAIRMAN. \$35.13?

Mr. MADWAY. Yes. That is based on air-conditioned apartments.

The CHAIRMAN. Now, I know you don't know these figures accurately, but you tell me \$35.13 per month per room. What per-

centage of persons who will be displaced by slum clearance do you think you can house in this project at \$35.13 per month?

Mr. MADWAY. I strongly doubt that we can house any of the people who will be displaced by slum clearance. However, I would like to call your attention to the fact that in this particular project I believe that something around 43 families only will be displaced by this project. This project is being built primarily in an area that is a mixture of commercial and industrial. There are, I believe, only 43 families living in this area at present.

The CHAIRMAN. How much cash does the sponsor of a 220 project typically—and I doubt that I can say this because yours and one other are the only ones I have heard about which have been approved—how much cash does a sponsor have to sink in that project?

Mr. MADWAY. It is anticipated that the sponsor will require at least 10 percent of the project cost less any credit given for the builder's fee. Under these circumstances, we, for example, anticipate that we will require something in the neighborhood of about 7 to 8 percent.

The CHAIRMAN. What you are going to require is how much?

Mr. MADWAY. Something between 7 and 8 percent in cash for this job.

Mr. ASHLEY. Is land included in that?

Mr. MADWAY. Land is not included in that.

The CHAIRMAN. Now, I know about your statement, and I want you to go through with it, but I want to interrupt for these questions. When you get through with it, if you make a profit on it are you going to build any more 220's?

Mr. MADWAY. We would be very happy to, provided the condition you mentioned takes place.

The CHAIRMAN. Do you regard the approval of this 220 project in the short time that you have announced in view of the fact that 220 was passed in 1954, do you regard your experience with FHA as typical?

Mr. MADWAY. I only know this: With the exception of 1 or 2 other cases, no commitments have been granted in the United States, so our experience must be typical.

The CHAIRMAN. Well, I don't understand how one can be typical when there are only two.

What I am getting at is, I am under the feeling that these are special-emphasis projects which have been arranged here in Philadelphia and in New York. Do you think so?

Mr. MADWAY. I don't know, Mr. Rains. We have only been working with this one project. All I can say is we have gotten perfectly fine cooperation.

The CHAIRMAN. I am hopeful from here on out it will really roll, but I want to be convinced by more than just 1 or 2 of these projects.

You may proceed with your statement.

Mr. MADWAY. Since the date of the filing we have had a number of discussions with the local office relating to the technical problems raised by the application. In addition, a full-dress meeting with the top level officials of FHA was held in Washington on Tuesday, September 27. At that time certain problems peculiar to this job were raised. Our meeting with the Washington officials, in which the Philadelphia officials were also participants, demonstrated very for-

cibly to us that all of the responsible officials in FHA are most cooperative and have not only indicated their desire to see this job progress expeditiously, but have made available their time and their technical staff without restriction.

Mr. William Kelley, Director of the local FHA office, similarly has indicated that his staff is at our disposal.

We wish to say that the cooperation which we have gotten has been of the highest order. At the same time, everyone who has more than a passing familiarity with this project recognizes that the novelty of a privately financed rehabilitation project generates new problems which require careful consideration in view of the many and varied questions of public interest which are involved. If the rate of progress is less than what we had hoped, we now understand the delays because of the multiplicities of new problems, and the care which must be exercised that the public interest is protected.

It will be of some interest to you to learn that the concept of private redevelopment for North Triangle dates back to 1947. It has taken from 1947 to 1954 to draft the plans and the program and to select the redeveloper. This demonstrates the time-consuming aspects of the redevelopment process.

When you consider the numerous agencies which must be consulted and whose requirements must be met, I think it is commendable that we are at the stage where we have been informed by Mr. Kelley that when we provide the exhibits and data which the local FHA office requires, a commitment should issue within 60 days thereafter. This timetable indicates that a commitment should issue by the end of the year and construction should start next spring.

The municipal agencies which have been principally involved in forwarding this project are the city planning commission and the redevelopment authority. They have both displayed foresight, vision, and patience in furthering this development. In addition, they have demonstrated a commendable degree of awareness of the practical considerations involved in the private redevelopment process.

The city council has demonstrated its awareness of the desirability of the project by appropriating funds for acquisition of the site.

At every stage of its progress the redevelopment of North Triangle has received intelligent and thoughtful cooperation from all of the agencies involved.

We can ask for nothing more.

The CHAIRMAN. Of course, one of the great obstacles apparently was removed when the city furnished the subsidy which acquired the site?

Mr. MADWAY. That is true. That overcame a lot of the problems.

The CHAIRMAN. Of course, that is an exceptional instance. That is not ordinarily true of 220's or other projects.

Now, let me ask this: I think the maximum loan maturity is 39 years and some odd months?

Mr. MADWAY. That is correct.

The CHAIRMAN. Now, since the law permits longer maturities, and since the figure you stated of \$35 and some cents per room seems rather high to me, what would you think of extending the loan period up to 45 or 50 years, reducing the rentals?

Mr. MADWAY. You happen to have anticipated just such a proposal which we made to the Washington officials of FHA. We felt that

a frozen pattern for amortization is unrealistic. We thought that the amortization requirements ought to be tailored to the characteristics of the specific job.

Now, we understand, for instance, that amortization ought to be a little faster than the probable rate of depreciation and obsolescence, but, for instance, in the development that we have proposed, which are elevator central city buildings, the rate of obsolescence there will be so slow that a longer maturity and a lower amortization rate would be a perfectly practical thing to achieve.

The CHAIRMAN. It would put it within the reach of people of lower income which, after all, is our greater problem?

Mr. MADWAY. That is right, and that would have achieved for us an even lower rent schedule, and that was the basis for our request to the Washington office, the request that they reduce the amortization and stretch out the period.

The CHAIRMAN. The average family needs at least 2 to 3 bedrooms, certainly 3, if it has any children and doesn't this type of building that you are building almost put it in the luxury class for Philadelphia?

Mr. MADWAY. Well, I think it was everyone's clear understanding that the nature of the site and its position in the city would make it virtually impossible to develop it for, say, low-income families.

The CHAIRMAN. I am not talking of low-income families. I am thinking of people of the income from \$8,000 down to \$5,000.

Mr. MADWAY. I think that our development will not be too far beyond the reach of that group. You must remember that this particular development is right on the parkway. Consequently, there are certain requirements for its esthetic appearance that have been imposed on it which must necessarily produce higher costs. It isn't as though we had complete freedom of design in some suburban area where we could just consider only economy in designing the building. Here we have to achieve a result that will be in keeping with the character of the other buildings along the parkway, and the parkway is the front door of Philadelphia.

The CHAIRMAN. Are you a builder, yourself?

Mr. MADWAY. I am a builder. I have been a builder for 19 years.

The CHAIRMAN. You are a member of the American Home Builders Association?

Mr. MADWAY. Yes, I am a national director of that association.

The CHAIRMAN. Do you anticipate that your colleagues in the home-building business situated as you are will be able to go forward with 220 programs where they are needed?

Mr. MADWAY. I believe that under the new act it is feasible to move ahead with redevelopment projects. I think you have to condition that. It has to be conditioned on the willingness of both the public officials and the financing agencies to move with them.

I think everybody is aware of the current tightening mortgage credit situation. I am sure that will adversely affect this program, as it has the normal home-building program, but subject to those conditions I see no real infirmities in the present act that would inhibit a good urban rehabilitation program.

The CHAIRMAN. Thank you very much.

Any questions, Bill?

Mr. BARRETT. No.

The CHAIRMAN. Any questions?

Mr. GAMBLE. Have you got a tightening mortgage market over here now?

Mr. MADWAY. Very definitely.

Mr. GAMBLE. When did it start?

Mr. MADWAY. I think it started last spring, and it has been tightening up, and I think the tightening is accelerating.

Mr. GAMBLE. Is it because the banks and building and loans have used all of their money or committed it up to the end of the year?

Mr. MADWAY. I think so, and I think the attitude of the banks merely reflects the Government monetary policy which is to restrict credit generally.

The CHAIRMAN. Did you file an application under the 1954 Act?

Mr. MADWAY. We did not.

The CHAIRMAN. Any questions, Mr. Ashley?

Mr. ASHLEY. I would like to know how you feel about the cost-certification provisions in the new act. Are you in favor of those?

Mr. MADWAY. No, I am not. I ought not to speak for anybody but myself, but I would say pretty generally most builders are unhappy with the cost-certification provisions because in the first place it is an extremely complex provision. There is a great deal of confusion and difference of opinion as to just what it means, and how it will be applied, and the general feeling among many builders is that they are exposing themselves to all sorts of penalties even though they may be acting with perfect honesty, and with perfect integrity in the situation.

Mr. ASHLEY. Do you have any opinion as to what can be done to relieve this problem that exists in the minds of the builders?

Mr. MADWAY. I have none except the elimination of the provision. But I think at the very least some thought ought to be given to recasting it so that it is clear, so that it can be understood.

Mr. ASHLEY. Do you think there should be a cutoff date beyond which—

Mr. MADWAY. Well, that is just one of the aspects. I think the general problem is lack of clarity and its broad terms expose a builder to so many penalties even though he acts with complete faith—I think that is its basic difficulty.

Mr. ASHLEY. With respect to the 220 program, do you think that the rate of return established by Congress is sufficient to attract builders in this area, and throughout the country?

Mr. MADWAY. I will say "Yes" to that provided I can add one thing. The rate of return is adequate if the Congress and if the administrative agencies approach the question of valuation practically, and if they give the builders a workable working profit in the job.

Mr. ASHLEY. In other words, that 7½ percent would be sufficient under the circumstances you set forth.

Mr. MADWAY. That is right.

Mr. ASHLEY. Are you going to pay for land out of mortgage proceeds?

Mr. MADWAY. We are not.

Mr. ASHLEY. How is that land paid for?

Mr. MADWAY. The North Triangle redevelopment is based on the leasehold. The leasehold will be held by the redevelopment authority.

Mr. ASHLEY. Now, you spoke of the perfectly fine cooperation which you have received, and I am sure that we are all pleased to hear that. You speak also of the offer by Mr. Kelley to put his staff at your disposal, and you spoke further of your meeting with top level officials in Washington. Would you say—and I am simply repeating the question asked earlier—that your project was given special emphasis?

Mr. MADWAY. No; I would not. I would have no way of knowing because that was the first time that we had made a request for such a meeting—well, as a matter of fact, the suggestion came from the local office that some of the problems we raised required consideration by Washington, the Washington officials, so that the meeting was initiated by the local FHA office, and when we went down there we can only say they listened to the problems, and they indicated a very sympathetic consideration would be given to them.

Mr. ASHLEY. Do you think if hundreds of 220 projects were undertaken by builders throughout the country, considering the practicalities of the time situation, and the demands upon the high officials with whom you met in Washington, that equal attention could be given to each of them?

Mr. MADWAY. No, I think it would be impossible. But I assume that the earlier projects will be the guinea pig and will establish the working pattern for the future.

Mr. ASHLEY. So there was special emphasis to the extent that this was something like a pilot project?

Mr. MADWAY. That is right.

Mr. ASHLEY. That is all.

The CHAIRMAN. Mr. Widnall?

Mr. WIDNALL. No questions.

The CHAIRMAN. Thank you very much for appearing before our committee.

Mr. MADWAY. Thank you.

The CHAIRMAN. The next witness is Mr. Joseph Turchi, assistant housing coordinator, and he is going to talk about section 220, Government experience for purposes of rehabilitation.

Do you have a prepared statement?

Mr. TURCHI. Yes, sir.

The CHAIRMAN. You may go ahead and read it, if you wish.

#### STATEMENT OF JOSEPH T. TURCHI, ASSISTANT HOUSING COORDINATOR, CITY OF PHILADELPHIA

Mr. TURCHI. My name is Joseph T. Turchi, and I am assistant housing coordinator for the city of Philadelphia.

Mayor Clark has indicated that the city is currently attempting to use the section 220 FHA insurance program to support rehabilitation financing. My remarks will be confined to this particular problem.

Little need be said, I am sure, on the necessity for special financing arrangements to encourage rehabilitation of existing dwellings. In terms of national policy, the workable program requirement of the Housing Act of 1954 is predicated on the assumption that property owners can be led to fix up and maintain substandard dwellings which are not yet beyond repair, and standard housing which is on the way to becoming blighted. Locally, we are acutely aware of the problem, for

the city is currently engaged in both stepped-up enforcement of our new housing code, and a special experimental program in selected neighborhoods to stimulate voluntary rehabilitation above code standards. In both instances, areas are affected which are not covered by title I grants, for the effort is to use these rehabilitation tools to supplement the basic federally assisted program.

The new housing code went into effect on January 1 of this year, the voluntary rehabilitation program being already underway at that time. In all the months since then the one consistent outcry from the areas in which we are working has been for help in financing. Again and again the argument is advanced that this or that item of work would be done but nobody is giving out loans in this type of area, nobody will take a mortgage in these old neighborhoods.

In anticipation of this problem, the city undertook to utilize section 220 as soon as Congress spelled it out as the device by which the Federal Government would assist this type of activity.

Just a year ago, in October 1954, Mayor Clark and other top city officials met with about a dozen leading banking and insurance company officials to attempt to get some idea of what the city should do to enable them to participate in the 220 program. No regulations were as yet available from the Federal Government, of course, for the 1954 act had only been in effect a little over 2 months. Representatives of the FHA in this area were present at the meeting, however.

A certain amount of skepticism was expressed at that meeting, by those lenders who had had occasion to work with the Federal Government in the past. However, some interest was also evinced. In the months since that meeting we have followed up with frequent contacts. And I am sorry to have to report that, with the delay in getting the program off the ground, the interest initially expressed by those leaders of Philadelphia's lending institutions has gradually cooled.

The primary responsibility for that delay can be laid, I think, directly at the door of the Federal administrators in Washington. For we have still received from the Federal Government no real direction, no firm set of standards, for putting section 220 to work. The Housing Act itself makes certain requirements, of course.

Mr. BARRETT. May I ask you one question?

Mr. TURCHI. Yes, sir.

Mr. BARRETT. Do you think the lack of the effectiveness of 220 is caused by the attractiveness of conventional mortgages?

Mr. TURCHI. Well, conventional mortgages, as such, would generally not be available in those areas where 220 might work.

Mr. BARRETT. Do you think because the average builder today cannot get conventional mortgages he is attracted to 220?

Mr. TURCHI. I am not prepared to answer that, sir, because my comments today are really directed primarily to section 220 financing, on the basis of rehabilitation of existing structures in areas which are blighted or are becoming blighted, and where the existing housing could possibly be rehabilitated if favorable financing terms could be had.

Now, generally, in some of those areas FHA will not insure because they are considered to be poor risk areas. The purpose of 220 for rehabilitation purposes is to perhaps raise the entire area to such a level that the risk will become minimized.

The HHFA has provided some rather loose guides. But, in actuality, over a year has now slipped by and the program which was Congress' answer to the rehabilitation financing question has not as yet been implemented.

The standards which must be established relate to both the urban renewal areas which would be certified as eligible for 220 insurance and the properties, and mortgages thereon, which would be covered by the insurance itself. Various questions arise in the latter connection. For example, it is often said that the program cannot work with the insurable mortgage amount tied to "appraised value"—meaning the value after the program for the area involved has been completed. Clearly, the validity of this criticism will depend greatly on the estimate of Federal technicians as to the effect of the planned property and area improvements. But questions such as these are more appropriately discussed by the private interests, themselves.

I only wish to note at this point that in spite of repeated prodding and encouragement on our part, not a single major developer in this area has to date shown any interest in the 220 program from the rehabilitation point of view.

As for the area standards which directly concern the city, we have also tried repeatedly to find out what the Federal officials will expect. And we have kept in touch with the efforts of other cities to implement the program—through the National Association of Housing and Redevelopment officials, through our day-to-day contacts with Federal officials, and so on.

For we do not wish to condemn the program and demand new aids without at least proving that it will not meet the need. But the need is becoming more urgent all the time. We cannot wait indefinitely when so important a segment of our total program is involved.

Accordingly, we have in the past few weeks initiated one more effort to make section 220 work in Philadelphia. A committee has been constituted, made up of representatives of the HHFA, FHA, Philadelphia Redevelopment Authority, and Philadelphia City Planning Commission, as well as the office of the housing coordinator, which I represent.

Mr. GAMBLE. Is that a local housing coordinator? That is a local position or committee?

Mr. TURCHI. That is correct.

This committee is looking over the entire city—searching for areas which could test section 220 here. Once these areas have been selected we propose to try once more to drum up local interest in trying for section 220 insurance; we shall submit our application for certification and then see what happens.

It is a rather backhanded approach. We would have preferred to have the Federal officials give us some standards to try to meet rather than have them wait for us to supply an application on the basis of which they will set their standards. This way we work in the dark. We do not know what was required in Louisville, but it would be impossible in most Philadelphia sections to do what was required there.

Mr. GAMBLE. Was that a 220 project in Louisville?

Mr. TURCHI. Yes, sir, a 220 rehabilitation project.

For example, Louisville was to provide positive assurance that the area under consideration would be rezoned to permit only residential and related uses. Most cities, including Philadelphia, had to permit



nonconforming uses when their zoning regulations took effect, and how can such assurance be provided in the face of those often undesirable but legal uses?

This is also a rather expensive approach, inasmuch as it takes considerable time on the part of local officials to work out, not only what will fit most effectively into the city's program, but also what demands the FHA may make and how these can be met if they are made. In this type of program there is no possibility of reimbursement for planning. Regardless of whether the program works out, this is a cost which the city cannot recover.

Mr. BARRETT. May I ask a question?

Mr. TURCHI. Yes, Congressman.

Mr. BARRETT. What is the approximate cost of working up the application to its acceptability?

Mr. TURCHI. We have not computed that, Congressman Barrett, and one of the difficulties in trying to compute that is how much we will have to set forth in the application, how extensive our urban renewal plan must be, and how extensive the urban renewal area must be, and what the Federal Government will require along those lines.

As yet, we have no firm indication as to those facts.

But let me make clear that this is a cost the city is more than willing to pay if the job can be kept within reasonable bounds and produces the desired results. The danger is that all our efforts will go down the drain with an eventual FHA declaration of standards which, like those for Louisville, make the application of the program impossible here. This, too, I should perhaps point out, is why the city takes the seemingly inconsistent stand of calling, on the one hand, for less tightly centralized control in other operations yet complains in this connection of the lack of Federal standards. If the bonds of strict Federal regulation had already been loosened, if the called for review and reorganization of Federal-local relations had already taken place, we would welcome the opportunity to delineate standards which would work in Philadelphia. Unfortunately, this is not the situation. We therefore run the risk that what we finally work up, after considerable effort, will be rejected. The risk would be far less if the regional officials with whom we are working had adequate authority. Retention of too much control by Washington makes us less certain of the outcome.

We shall carry through our present operation to completion, of course. But in the meantime we would strongly urge the HHFA be given real authority and responsibility for making sure that the FHA and URA in Washington work closely together on this program. They should together work out firm and clear-cut regulations and cooperate continuously, at all levels, to test the feasibility, in cities such as ours, of the whole section 220 concept. Once tested, the effectiveness of this tool can be judged, and we will know whether or not we must work out some other method for securing the rehabilitation financing so urgently needed.

That is the end of my statement, sir.

The CHAIRMAN. Thank you, Mr. Turchi.

On the one hand, you say that you would like for Washington to delineate and hand down standards by which 220 projects could go forward. I assume you are not asking, however, for such rigidity

of regulations where it might fit in one plan and would fail to fit in another?

Mr. TURCHI. That is correct. However, we would like to know what is expected of us before we begin or try to file an application and do the necessary work involved therein.

The CHAIRMAN. Even though there have been 2 or 3 projects approved, and you mentioned one I hadn't heard of in Louisville—I thought the only ones were in New York and Philadelphia—

Mr. TURCHI. I am sorry, sir, Louisville was not approved. Perhaps I should try to make one point clear. The 220 financing that I am discussing, or trying to discuss at this point, is in those areas of the country where major redevelopment, slum-clearance activities, are not taking place.

The CHAIRMAN. Now, the experience of Mr. Madway, as he gave it to us a while ago, does not fit into the discussion which you have because his is a different type area?

Mr. TURCHI. That is correct, that is an assisted area. What we are talking about are called nonassisted projects. These are not in areas involving slum clearance where the redevelopment authority has gone in to effectuate a redevelopment program.

The CHAIRMAN. Well, what you are asking for in the way of some guide to go by is in those areas where under title I the demolition and the slum clearance are done under title I, the Federal act, and then 220 projects on that?

Mr. TURCHI. I think not, sir. I think that what we are asking for guides and regulations on, are in those areas of the city which might be considered deteriorated or deteriorated which have not been certified as redevelopment areas where title I is not at all involved.

It is the fringe areas, perhaps, you might term them. You might term them those areas which are going down but have not as yet reached the point where total clearance is necessary. These are the areas in most instances surrounding the redevelopment areas, the certified redevelopment areas, and there is no connection between the thesis that I have today with that of Mr. Madway. In his problem—

The CHAIRMAN. They are entirely different problems?

Mr. TURCHI. That is right. This is voluntary rehabilitation on the part of the owners or sponsors in a given area to assist them in that voluntary rehabilitation by making 220 financing available to them.

Now, before that is done there are certain criteria that must be met but those criteria as yet have not been clearly established.

The CHAIRMAN. Thank you very much.

Any questions, Bill?

Mr. BARRETT. No.

The CHAIRMAN. Any questions, Mr. Gamble?

Mr. GAMBLE. In Philadelphia in the rehabilitation, does the city buy the land and clear it?

Mr. TURCHI. No, sir; the land that is cleared in redevelopment is acquired by the redevelopment authority, which is really a State agency, although it does receive city funds as well as matching funds by the Federal Government.

Mr. GAMBLE. Who clears the site?

Mr. TURCHI. In those instances it is cleared by the redevelopment authority, who then sells the land to a redeveloper.

Mr. GAMBLE. That same organization, then, would take care of the tenants and relocate them, I assume?

Mr. TURCHI. Yes, sir; the redevelopment authority is obligated under Federal law to relocate all tenants who are displaced by reason of redevelopment activities.

Mr. GAMBLE. And this redevelopment organization you speak of is the State of Pennsylvania Authority?

Mr. TURCHI. That is correct.

The CHAIRMAN. Any questions, Mr. Ashley?

Mr. ASHLEY. I have one question, Mr. Chairman.

I was somewhat shocked at your statement that, for the purposes of 220 rehabilitation loans, local builders have failed to show any interest at all. Now, is it your notion that the FHA sets the same property requirements for 220 rehabilitation loans as it requires for new houses?

Mr. TURCHI. That is one of the points about which we are not clear, and it is one of the points about which we should like to have some clarification, what are the standards of FHA, what are the rehabilitation standards of FHA in order to get 220 financing or insurance.

Mr. ASHLEY. And am I to understand that it has been impossible for you to get any kind of a statement from the regional or Washington FHA officials on this point?

Mr. TURCHI. I believe the fault, if any, lies in the national office rather than the regional office. The regional office is probably awaiting the formulation of these criteria or regulations by the national offices.

Mr. ASHLEY. Would you agree that it would be not only ridiculous but would render the 220 rehabilitation program unworkable if the same standards were required for the rehabilitation projects as for new houses?

Mr. TURCHI. I should think so; yes, sir.

Mr. ASHLEY. It couldn't help it.

Mr. TURCHI. That is right. Because the cost would be so great that the chances of getting the type of mortgage financing that would be necessary would be quite slim. The lending institutions, themselves, I believe—

Mr. ASHLEY. Well, it would be impossible.

Mr. TURCHI. Yes.

Mr. ASHLEY. Clearly so.

Mr. TURCHI. It would appear so to me; yes, sir.

Mr. ASHLEY. And you feel that that is one of the reasons why it has been impossible for builders in this area to obtain conventional financing?

Mr. TURCHI. I think that is a fair statement; yes, sir.

The CHAIRMAN. Let us get back once again. We are having a little bit of difficulty with all of this split infinitive we are throwing at you.

Have you any project in Philadelphia where title I slum clearance has done the clearing of the slums where a 220 project has been approved?

Mr. RAFSKY. If I may, Mr. Congressman, I wonder if I might interpose at this point.

The CHAIRMAN. Yes.

Mr. RAFSKY. The answer to your question is no. There are two projects pending, one Mr. Madway's project, and another in another

section here which we call Southwest Temple, and neither have been finally approved at this stage.

I wonder even at the risk of repetition to clarify the two aspects of section 220 that we are discussing this afternoon, Mr. Madway talked about in construction in land which had been prepared by the Redevelopment Authority.

The CHAIRMAN. In this instance by local authority.

Mr. RAFSKY. Well, in this case by a local authority, that is true.

The other one is with the aid of Federal funds, whereas Mr. Turchi is discussing an area where there is no clearance of any kind, whereby certifying that it is an urban renewal area, the property owners may go in and obtain 220 mortgaging for rehabilitation purposes. It does not involve new construction in that sense. And, as far as I know, there has been no approval of any such project anywhere in the country.

The CHAIRMAN. Does that necessarily, Mr. Rafsky, envision big apartment houses?

Mr. RAFSKY. No, it can be in a single-family unit or multifamily unit.

As I was saying, there is no project of that kind approved anywhere in the country, and we are trying very hard with the aid of our regional office here to work out at least one such project to see whether it will work.

The CHAIRMAN. In other words, there is no set of plans, so to speak, of how that project should be worked out that has yet been cleared by the Housing and Home Finance Agency?

Mr. RAFSKY. That is correct. We feel if rehabilitation is to succeed there must be some physical aid because the private banking institutions are not prepared to lend for this purpose, and, as we understand rehabilitation, the Federal mortgage insurance is designed to help private banking do the job.

The CHAIRMAN. Do you feel also there should be some other aid, other 220 than the multistory apartment houses which is envisioned in Mr. Madway's project?

Mr. RAFSKY. Definitely.

The CHAIRMAN. That clarifies it.

Mr. WIDNALL. I would like to ask whether by conventional financing you haven't had a number of instances in this city where builders have gone in and rehabilitated houses?

Mr. RAFSKY. Yes, we have, but they have been quite small and they have been in selected areas where we think the basic problems of a neighborhood are not being answered. For those of you who know Philadelphia, on the west side of Broad Street, the outside of city hall, we have an area of great improvement by conventional financing, both by repair loans and mortgaging. We have had isolated places in other parts of the city, but if you take an area which may not be fully blighted as indicated by the color on that map, but in which blight is beginning to appear, the banking institutions begin raising questions as isn't this neighborhood declining, and should we risk our money in this neighborhood, or what about the type of tenant, aren't they unreliable, and it is that we haven't been able to break through, and it is in those areas where we would like to try 220.

But as Mr. Turchi is trying to explain, we don't know what area to pick because we do not know what the FHA is willing to insure.

As he indicated in this statement, if we pick out any area we are going at it in a backhanded way because after we have picked it out we will undoubtedly be rejected.

Mr. WIDNALL. You are undoubtedly aware of the projects taking place in Washington. It seems to me in some areas they have made considerable progress.

Mr. RAFSKY. Yes, we don't think of 220 as a substitute to private banking. We think of it as a supplement. We hope to do conventional financing for rehabilitation wherever possible, but where that has not materialized we think that if the program is to succeed section 220 should be made to use for rehabilitation purposes.

Mr. WIDNALL. Do you think if you raised the amount and extended the maturity for title I repair purposes you might accomplish some of those purposes?

Mr. RAFSKY. We might be able to do a little more, but I don't think it will do the job because I think many owners are looking for at least the terms of conventional mortgages, between 11 and 12 years, and a decent rate of interest, somewhere between 4½ and 5 percent. I don't think title I, even if moved up from 3½ to 5 years, would be sufficient at the interest rate that normally carries.

The CHAIRMAN. Thank you very much, Mr. Rafsky.

Thank you very much, Mr. Turchi.

The next witness is Mr. Maurice Massey, and we are going to talk about cooperative housing, section 213, and other types of multifamily housing.

Identify yourself for the record, and you may proceed, Mr. Massey.

Mr. MASSEY. Thank you, sir.

#### STATEMENT OF MAURICE R. MASSEY, JR.

Mr. MASSEY. My name is Maurice R. Massey, Jr., of Philadelphia. I am in the mortgage banking business, and have had some direct experience with the various multifamily mortgage insurance provisions of the National Housing Act.

I was invited by you, sir, to discuss specifically certain phases of section 213, which I am only too happy to do. I should like to preface my brief extemporaneous statement by saying that it must be recognized that in section 213 there exists perhaps the most effective means of providing moderate-cost housing for middle-income groups; however, under the present law, and in view of present administrative requirements, I believe that you will find little business being done under section 213.

I think it must be realized that there is no such thing as a cooperative form solely for the purpose of providing housing for its members.

The CHAIRMAN. You mean formed solely at their initiation?

Mr. MASSEY. Yes. A cooperative housing project needs some kind of sponsorship. It needs some form of guidance.

I was instrumental here in Philadelphia in heading up a group of sponsors that successfully built the first elevator-type section 213 project in this city, as you know, sir, at 21st and Walnut. The project is successfully completed, fully occupied, there is a long waiting list, and I believe all of us can point to it with a certain degree of pride.

In addition, I was one of a group of sponsors that have just completed a 448-unit 15-story elevator building in Detroit. I was asso-

ciated in that project with Mr. Blum and his organization. They are in the audience, and the first families are moving in the first week in November. It is a very successful project, and again has a long waiting list. But I don't think people with our particular experience, whatever it may be, would be interested in doing future projects under section 213 unless we were provided with certain amendments to the law, and even perhaps a better administrative understanding of what we are trying to accomplish.

I believe, and I recommended it to the hearings during the hearings on the Housing Act of 1954, that there be convertibility between section 207 and section 213.

The CHAIRMAN. I think that is a good idea, and a lot of us do.

Now, if you will give us your idea of how it ought to be done it will be helpful.

Mr. MASSEY. All right, sir.

I think the problem, first, is simply this: We will take a financially capable builder who wants to build a section 213 project, and suppose he were to apply now under the present provisions of the act, and the present administrative rules and regulations. He may not secure a certificate of eligibility from the local FHA office because that has been administratively curtailed, and they don't issue a certificate of eligibility any longer. So, therefore, the sponsor must buy land or get a legal interest in land. He must pay for plans and specifications, and then offer the proposed apartments to prospective cooperators. That takes a very skillful sales job, and a long, long period of time.

Mr. GAMBLE. It dries up a lot of money, too, doesn't it?

Mr. MASSEY. I just was going to say, Mr. Gamble, it ties up a lot of money.

Mr. BARRETT. Give us the amount of money.

Mr. MASSEY. In 2101 Walnut Street, we had initially about \$25,000 in initial architectural work, and the cost of selling the units was \$90,000.

Mr. BARRETT. Twenty-five thousand dollars is spent before you get any recognition?

Mr. MASSEY. That is correct.

Now, a lot of water goes over the dam while people are looking at those apartments, and the minute an apartment is sold to a member he takes a proprietary interest in the proceedings and pretty soon he is around to tell you how to build the building and pretty soon he goes to the FHA and tells them how to build the building, and pretty soon the FHA tells you. The sponsors' resources are financial investment, everything is at jeopardy.

I believe, on the other hand, if this amendment were enacted by you gentlemen a sponsor like any of the qualified people in this room, Mr. Madway, Mr. Weinberg, or Mr. Blum, could secure the commitments for mortgages on an elevator building at a good location under section 207, an 80-percent ratio of loan to value commitment. He could then perfect his plans and specifications, be satisfied to spend money with the idea that he would either own the building as the sponsor-owner of a proposed rental housing project when it is completed, or at the end he could sell the units to qualified subscribers.

The CHAIRMAN. Wouldn't that make it a 608 job completely if he owned it? I don't mean as to all of the implications of 608, but if you

gave the builder an opportunity to own it would he not be back on that type of construction?

Mr. MASSEY. Well, it would be similar except that he would have a 20-percent equity investment in the project which is the main difference.

The CHAIRMAN. That is correct. All right.

Mr. MASSEY. Now, let us assume that he wanted to convert to a section 213.

Mr. GAMBLE. You are predicating this on a commitment from FHA that he will insure?

Mr. MASSEY. Yes, sir.

Mr. GAMBLE. That is what I thought.

Mr. MASSEY. Now, under the amendment that I propose when the building is satisfactorily completed, according to FHA's inspection standards and requirements, he then could, if he so elected, offer the property for sale to prospective cooperators under section 213, to recapture his initial investment, his builder's fee, his architects' fee, and all of the moneys that he has laid out for promotional and sales expense. I believe that it would attract more financially capable builders to the 213 program, and I believe that very good housing would result, not only for middle-income groups but even in renewal areas and for minority groups.

But the way 213 is now, no sponsor, with any major intelligence, is going to sponsor a section 213 project, invest all of that money, with the possible threat of membership interference or FHA interference during the course of construction.

The CHAIRMAN. Well, in actuality, if you had that amendment, and I am greatly interested in it, wouldn't the result be that the builder, in order to avoid the interference of the prospective owners, and all, wouldn't it always turn into a builder-owned project; builder domination?

Mr. MASSEY. I believe that it could be worked out with some kind of trustee arrangement, whereby when the cooperators, themselves, the individuals certified that the building had been completed in accordance with the plans and specifications, and in accordance with their understanding of what they had purchased, and I think you would get around the so-called builder-dominated type of project.

The CHAIRMAN. Do you have any suggestions as to language which would do the job you are talking about?

Mr. MASSEY. At the moment, Mr. Chairman, I haven't, but I believe, it is my philosophy, that financially capable builders can be relied upon to do a good job, particularly if there is a fairly decent profit motive.

The CHAIRMAN. I think that, too. Of course, we never know. The truth is that 207 is practically inactive and has been all of the time. Isn't that correct?

Mr. MASSEY. That is largely true. There is very little business being done now under section 207.

The CHAIRMAN. And 213 hampered by two different sides to the project, the owner prospective tenant side or owner side, and builder's and as a result it makes it a different project to work out.

Mr. MASSEY. That is true.

The CHAIRMAN. And financiers don't like to put their money into that type of investment; isn't that true?

Mr. MASSEY. Quite true.

The CHAIRMAN. Well, you in the mortgage banking business could do this committee a great favor by furnishing us with any suggestion you have that might help to clarify that situation, because that is a type of housing that we need very greatly.

Mr. MASSEY. I should be happy to, sir.

The CHAIRMAN. What about the identity of interest? That seems to be a deterrent on the part of sponsors. Do you think there ought to be any relaxation in FHA's rules as to the identity of interest?

Mr. MASSEY. I don't know that there is anything particularly in the FHA regulations that require changes. There are a number of minor processing features that I think could be straightened out. I don't perhaps quite understand what is meant by identity of interest. Do you mean where the builder and the landlord owner may be one and the same?

The CHAIRMAN. Yes.

Mr. MASSEY. Or the architect and builder may be one and the same?

The CHAIRMAN. Yes.

Mr. MASSEY. I see slightly no objection to the landowner and the builder being one and the same parties as long as he is well and favorably known to the FHA office.

The CHAIRMAN. Do you see any reason for him to object to disclosing his interest, his double-barreled interest, so to speak?

Mr. MASSEY. No, sir; I don't. I think you will find this, Mr. Chairman, and I know it has been your experience: The qualified builder doesn't object to requirements that are placed in any project by the FHA for the protection of everybody. There was a great hue and cry when FHA inaugurated the cost-certification procedure in rental housing projects, or in 213 projects. The financially capable builder doesn't object to that type of thing. He has to show his costs to the Government anyway, so he doesn't object to showing them to the FHA.

The CHAIRMAN. Well, some of the things that have come to our attention in the study of it are these.

First, on the part of builders there is the fear that some bureaucratic mogul will make arbitrary and unfair determinations as to allowable costs from which the builder has no appeal; second, that he is reluctant to enter into such a contract where several hundred cooperators may be in a position of second guessing.

You have already argued that, and fear that the cost to the consumer would be higher than under the lump-sum contract, since the incentives to make savings in costs would be eliminated. Do you think that a builder about to enter into a 213 cooperative stands back because of those dangers?

Mr. MASSEY. No, I think any builder who sponsors a 213 project for later sale to members where he was the builder himself of the subject building improvements would protect himself by getting outside bids so that he could never be accused of having charged more for this building than the competitive builders would have.

The CHAIRMAN. What about the cutoff date on the cost certification? Do you think there ought to be a cutoff date on the cost certification for a builder?

Mr. MASSEY. I think there should be.



The CHAIRMAN. There is a cutoff date on renegotiation of Government contracts.

What about the availability of mortgage money in the Philadelphia area for 213's with a good builder-sponsor? Is it available?

Mr. MASSEY. Yes, sir; it is.

The CHAIRMAN. And at a fair and reasonable rate of interest?

Mr. MASSEY. Yes; indeed, I believe that mortgage money is available under reasonable terms. For example, a section 213 mortgage at a good location with a financially capable builder, should command almost par for its sale.

The CHAIRMAN. Which leads me to ask you a rather awkward question. Do you think the Federal National Mortgage Association in its following the bond market along is doing anything to support mortgage money for cooperatives?

Mr. MASSEY. I think it is doing very little in that respect, Mr. Chairman.

The CHAIRMAN. Do you think it would be advisable for it to move up its position?

Mr. MASSEY. I certainly do.

The CHAIRMAN. And that is a question away from your specific subject, but you seem to be well informed on mortgage money matters—is the new credit cushion as to higher downpayments and shorter terms, is that having any effect on the availability of mortgage credit in Philadelphia?

Mr. MASSEY. I don't know whether I can answer that except to say that before those cushions were invoked there was a general tightness of mortgage money imminent. It was happening upon us almost before we knew it.

The CHAIRMAN. Was that because of the action or the suggested action, I should say, of the Federal Reserve that it took against the Home Loan Bank Board and discount rates, and so forth?

Mr. MASSEY. It had some effect, but that wasn't a major effect, in my opinion. I think that the volume of new building and the demands for money from other sources of investment generally tightened up the market because the bond market improved to a point where mortgages became less attractive.

Now, the recent imposed credit cushions did nothing more than further aggravate the present situation. I believe that there would have been just as much money available if the credit cushions had not been invoked, no more, no less. I think it had very little effect on the mortgage market.

The CHAIRMAN. I have taken too much of the committee's time.

Any questions, Bill?

Mr. BARRETT. I just want to ask one academic question, Mr. Massey.

Suppose the tenant stockholder has a location in one of the co-ops and can make a profit of \$2,000 on his original investment by selling the location to John Doe. What effect would his profit have on the consumers and builders?

Mr. MASSEY. I think that that type of situation should be prohibited. I believe that once the purchaser has subscribed to a particular unit that he should conduct himself in the same manner as the rest of the members, and there should be regulations provided that one can sell unless the overall membership were benefited, because

otherwise I believe you would have wholesale speculation throughout the building to the detriment of the membership as a whole.

Mr. BARRETT. Let us say the Doe family agrees to take over the location and carry the same notes as the previous owner. Would the sponsor or builder accept him?

Mr. MASSEY. As you know, it works a little differently. The sponsor or builder sets up a scale of payments subject to the FHA mortgage, and a scale of carrying charge estimated to carry the project, and he charges so much for apartment 101 and so much for apartment 201, based upon the overall costs of the building, representing the difference between the mortgage loan and total costs, so the purchaser knows upon looking at the whole schedule of prices what he has paid and what Mr. Jones up at 301 has paid, or at 401. So that type of situation perhaps would not happen.

Mr. BARRETT. You haven't had any gripes on that at all?

Mr. MASSEY. No, but the FHA regulations and bylaws usually preclude—I am not sure that I am wholly correct about this—but the cases that I have had experience with, the cooperators were precluded from reselling their units to someone outside without first offering them to the board of directors. Now, that prevents speculation, which I think is a good thing.

There is one point, though, that FHA has ruled out which is a hardship. Let us suppose that you buy an apartment and firmly intend all of the way through to live in that building for the rest of your life, but as in your case you find you have to be in Washington the next 6 months looking after the affairs of Philadelphia in Congress. Now, the FHA rules that if you don't occupy that apartment you cannot have your membership and you must resell your stock to the co-op.

Mr. BARRETT. I understand that. I was wondering if you have any isolated cases where there have been gripes along that line?

Mr. MASSEY. Well, we have had a number of complaints along that line, yes, that it isn't fair if a qualified member, for reasons beyond his control, may not take occupancy, he at least should be able to come before the board and state his case and be given an opportunity to sublet it for a specified period.

Mr. BARRETT. Now, I just want to ask you one other question: Have you had any difficulty with the FHA inspectors on your property at 21st Street?

Mr. MASSEY. No, sir.

Mr. BARRETT. Did it entail a greater cost than you contemplated?

Mr. MASSEY. The project entailed greater cost than we originally anticipated, but I have had nothing but cooperation from all of the FHA officials.

Mr. GAMBLE. This thing you have been discussing could be taken care of adequately in a contract that the builder has the prospective purchaser sign, could it not?

Mr. MASSEY. Yes, sir; it could be.

Mr. GAMBLE. Then there is another angle that came up, and that is where you can have a chance to sell at a profit you would be allowed to sell if the profit goes to the structure as a whole, which could be used in keeping down expenses or carrying charges, or reduction of the mortgage?

Mr. MASSEY. Yes, sir; that is the way it should be provided for.

Mr. GAMBLE. Nobody is harmed, nobody is hurt?

Mr. MASSEY. That is correct.

Mr. GAMBLE. And the building, as a whole, is helped?

Mr. MASSEY. Yes.

I want to make one comment. To actually prove that 213 can provide housing accommodations for less monthly cost than any other type of FHA mortgage insurance, the project under 213 at 2101, I believe the present monthly charge is about \$26 per room per month. Competitive units or competitive housing under 207 or 608 or conventional loan plans with the same type of apartments, the same age, the same facilities, comparable locations, command as high as \$38 to \$45 per room per month.

Mr. BARRETT. Do you consider a kitchen a room?

Mr. MASSEY. Yes, sir.

Mr. GAMBLE. How is the mortgage market generally here?

Mr. MASSEY. There is plenty of money available for conventional loans at  $4\frac{3}{4}$  and 5 percent interest. There is plenty of money available for VA loans with 10 percent down and for FHA loans, but the market is rather tight, and restrictive, for VA loans involving the minimum 2 percent down payments.

Mr. GAMBLE. Is there much opposition to the increased rate that has come about recently or are people willing to pay the increased rate so they can get on with the job?

Mr. MASSEY. I have experienced very little opposition to the generally increased rate structure.

The CHAIRMAN. Mr. Ashley?

Mr. ASHLEY. Mr. Massey, on the basis of your experience, why do you think that 207 is inoperative at the present time?

Mr. MASSEY. Largely because of the—let me say it this way: I think section 207 is largely ineffective at the present time because of the new requirements as to the charter of the owning corporation under section 207 and, of course, the 20 percent equity requirements.

The CHAIRMAN. The amount of builder participation.

Mr. MASSEY. Yes, sir.

Mr. ASHLEY. What requirements are you speaking of there?

Mr. MASSEY. The charter requirements?

Mr. ASHLEY. Yes.

Mr. MASSEY. The FHA, as I understand it—I am not a lawyer, but I hear this discussed by builders who might otherwise be interested in section 207—the charter now provides for the Commissioner, under his share of preferred stock, to exercise control whenever he pleases, and if the Commissioner ever happened to be a gentleman who wanted to make trouble for a builder he certainly could under the present arrangement; whereas, under section 608, and the old 207, he exercised his stock privileges only in the event of default, which I think is the way it should be.

Mr. ASHLEY. That is very helpful.

Now, going back to your hypothesis of a few moments ago, you said you thought that there was a good possibility of a workable convertibility between 207 and 213. Now, what you are saying in effect, then, is despite the fact that builders are not attracted to 207 at the present time, if certain changes in 213 were made they would be attracted,

despite the present rules and regulations which presently prohibit them from any interest in this project; is that correct?

Mr. MASSEY. Yes, sir.

If you want me to amplify the reason he would be interested in the convertibility rather than 207, as it is now?

Mr. ASHLEY. Yes, yes, please.

Mr. MASSEY. Let us assume that he forms a mortgagor corporation, and he for the moment is going to own all of the stock. It is a 100-percent section 207 project, where he owns all of the stock. Now, the financial structure of the whole project is arranged so that his total costs include builder's fee, architect's fee, land cost, carrying charges, and everything up until you get to 100 percent of cost, and he would be willing to make a 20 percent equity investment there and have his stock represented by that 20 percent equity, and if he sold it then to the cooperators at a figure fixed by FHA representing the same 20 percent, he could put his working efforts, his architect's fee, his builder's fee, on a capital-gain basis rather than as an income proposition.

Mr. ASHLEY. That is very helpful, indeed.

It has been suggested, Mr. Massey, that I read a very short excerpt from a memorandum prepared by the staff, which may clarify the identity of interest that you were discussing before. [Reading:]

Definition of identity of interest as any situation where the builder has an interest in the cooperative or has supplied financial aid so as to occupy what the courts would term a "fiduciary relationship," under the FHA rules where such an identity of interest is deemed to exist FHA requires that the contract be on a cost-plus basis as against the lump-sum contract permitted where the builder and cooperative are completely at arm's length, and where no identity of interest exists.

Mr. MASSEY. That clears up that for me, and I see no objection to that regulation.

The CHAIRMAN. There are no further questions.

You made a good witness, Mr. Massey.

Mr. MASSEY. I appreciate the opportunity of appearing before this committee.

The CHAIRMAN. I do want to ask you one further question.

Mr. MASSEY. Yes, sir.

The CHAIRMAN. I understand that you considered a 220 project. What do you think of 220 and why didn't you proceed under that?

Mr. MASSEY. I am very much interested in section 220. We had studied it, and we were merely the unsuccessful bidders for a Philadelphia project, that was all. It was no fault of our own. It just went to the successful bidder.

The CHAIRMAN. Do you think it will work for a reasonable rental?

Mr. MASSEY. Yes, I do. When Mr. Turchi was before you the idea occurred to me, a suggestion I made to Mr. Rafsky some time ago, which I think is worthy of consideration. I believe that the local FHA or, rather, the local offices of the Housing and Home Finance Agency, and the housing authority, might work in close collaboration to certify areas for redevelopment that are not perhaps within the immediate program ranges of the housing authority, whereby the mayor and the redevelopment authority could say to a sponsor, we like location X, but we cannot use it for the next 5 years. However, it is part of our overall program. Why don't you go buy it and we will declare it eligible for the provisions of 220.

That would accelerate the renewal and the redevelopment of certain downtown areas without the use of any Federal funds whatsoever, except on a mortgage insurance basis under 220.

The CHAIRMAN. Thank you very much.

Mr. MASSEY. Yes, sir; thank you.

The CHAIRMAN. I am glad you appeared before our committee.

The next witness is Mr. Herford Crossman, of the American Friends Service Committee.

We had his project mentioned before, and now we have Mr. Crossman here to testify.

Do you have a written statement, Mr. Crossman?

Mr. CROSSMAN. Yes, sir.

The CHAIRMAN. What about the back part of your statement?

Mr. CROSSMAN. I will not read that now.

The CHAIRMAN. Would you like that included in the record?

Mr. CROSSMAN. Yes.

The CHAIRMAN. We will be glad to have your statement.

Mr. CROSSMAN. Yes, sir.

#### STATEMENT OF HERFORD CROSSMAN, REPRESENTING AMERICAN FRIENDS SERVICE COMMITTEE

Mr. CROSSMAN. The testimony I shall give will be confined to the experience of the American Friends Service Committee and the Friends Neighborhood Guild, partners in sponsoring the first project in Philadelphia under the Pennsylvania redevelopment law of 1945.

I am officially representing both organizations here today. The city planning commission planned what is now known as the East Poplar area, and the city council certified it for redevelopment. The redevelopment authority bought by eminent domain the city block bounded by Eighth, Brown, Franklin Streets, and Fairmount Avenue, and resold it at a writedown figure to Friends Service, Inc., a corporation set up by the American Friends Service Committee, which acted as redeveloper under the law. With the help of a well-known architect, we planned the rehabilitation of presently existing buildings solidly built of brick about 100 years ago. For a more adequate description of the project, and the philosophy of our approach to helping low-income people to help themselves to obtain adequate housing, I am presenting here for the record a four-page mimeographed statement which I will not read at this time.

(The statement referred to is as follows:)

##### FRIENDS SELF-HELP HOUSING PROGRAM IN PHILADELPHIA A QUAKER PROJECT IN REHABILITATION

###### *What is self-help housing?*

Self-help housing, as used here, is not "do-it-yourself" alone, but a swap-labor technique whereby a group of people collaborate in a project, each learning a particular trade or skill so that proficiency replaces the muddling through process. It is done under the supervision of a technically trained project manager who knows all the skills and is a good teacher. The technical problems of financing, legal work, and house design are beyond the experience or ability of the average individual who would be interested in giving his own time and labor to help create better housing for himself and his family. Skilled leadership is therefore necessary.

*What was the first experience in self-help housing?*

It was in 1937 that the American Friends Service Committee carried out its first project of this kind, a project called Penn-Craft. It took place in Fayette County, Pa., 50 miles south of Pittsburgh, in a poor coal-mining district. In 10 years a group of miners there moved from shacks to solid stone houses complete with modern baths and kitchens, full basement, and central heat. Within that time a defeated group of people became a self-respecting community of homesteaders. That is the story of the first venture in self-help housing. Since Penn-Craft's beginning, the service committee has acted in a consultative capacity for others who have used this self-help technique, a group in Lorain, Ohio, another in Indianapolis, Ind., to mention two. The work of the American Friends Service Committee in this field is administered by an affiliate of the service committee, namely, Friends Service, Inc.

*Who sponsored the Philadelphia project?*

Simultaneously, while this body of experience was being built up in various communities, the Friends Neighborhood Guild, a settlement house under the care of the Religious Society of Friends in and around Philadelphia, became concerned over the housing conditions of the people in the area it had been serving since 1879. How could they accomplish their true purpose as a settlement house unless they could successfully attack the wretched condition of the houses in which people were forced to live? In 1947 these two Friends groups, the Friends Neighborhood Guild and Friends Service, Inc., began to explore together the possibility of applying the self-help technique to the problems of urban slums which are presented to us so urgently in terms of the ugliness of large sections in our big cities, in overcrowding, in disease and crime rates, in loss of property values, and in loss of human values and human resources. By 1948 the guild and the service committee had decided upon joint action, in the rehabilitation of a solid city block in a slum area.

*What part did public agencies play?*

A project of this kind cannot be done without the assistance of public bodies. The first is a public planning body—in Philadelphia called the city planning commission. It is important that any redevelopment work be a part of a general overall plan for that portion of the city where it is to be located. Such a plan is necessary to reverse the trend toward deterioration of the surrounding area.

The second public body must be one that (1) has the power of eminent domain and (2) has the funds available to purchase the property and then deliver it to the redeveloper at a fair value. In Philadelphia this was the redevelopment authority.

When the plan for this project was presented to the city planning commission and the redevelopment authority, it was received with real enthusiasm. Contracts were executed between Friends Service, Inc. and the Redevelopment Authority of the City of Philadelphia. An entire city block was purchased by the redevelopment authority using the right of eminent domain under the Pennsylvania redevelopment law of 1945. The property was then deeded on June 4, 1952, half to the Eighth & Brown Mutual Housing Corp., the cooperative acting as the nominee of Friends Service, Inc., the other half to Friends Service, Inc., to be handled as a second project.

The redevelopment authority delivered the entire property at a price of \$78,400, which was almost \$150,000 less than the cost of original acquisition. Some \$95,000 of this was for commercial properties which had no value for future residence. The city will recover this investment over the years through increased real-estate taxes.

*How was it financed?*

The first project was financed by two Philadelphia banks. The Fidelity-Philadelphia Trust Co. granted a construction loan to bring the project to completion which was then paid off by a long-range mortgage loan made by the Philadelphia Saving Fund Society. Both loans were insured by the Federal Housing Administration under the cooperative section 213, which allowed a mortgage of 90 percent of cost with a 40-year term at 4 percent interest. The other 10 percent of the cost was the downpayment furnished in this project, not in cash, but by the self-help labor program of the cooperators, or future owner-occupants. A maximum mortgage of \$8,100 per unit was set by law. The first project covered one-half of the initial block with 52 apartments. Hence

the final mortgage was for \$421,200. Actual costs were above the legal maximum plus the downpayment by about 9 percent.

In addition to the costs financed by the banks and assumed by the cooperative, the American Friends Service Committee bore the above 9 percent overrun, and paid as well for certain pioneering expenses in developing the concept of this this new approach to the treatment of urban slums.

*Where is the project located?*

The block involved in this project is 1 mile northeast of city hall. It is bounded by North Eighth, Brown, and Franklin Streets, and Fairmount Avenue, in the area known as East Poplar.

The block was not yet a slum in the worst sense, but was fast on its way to becoming one. To the casual observer the houses might not appear to be those of a slum or even substandard. But inside the conditions were appalling.

Seven and more families were living in a single house, the walls were ugly from fallen plaster, old paint was peeling, and carved mahogany banisters and doors were scarred by neglect and misuse. Whole families occupied a single room, sharing a common toilet with as many as 5 or 10 other families. Most rooms had cold running water and perhaps a two-burner gas plate for cooking and a pot-bellied stove for heat. There was nothing there to provide the physical facilities considered basic for stable family life.

The backyards were littered with debris, board fences, and ash piles, and there were no facilities for play. There were about 90 children on this 1 block, and the nearest playground was a mile and a half away.

*Why was this location chosen?*

(1) The block met the criteria for redevelopment established by the city planning commission:

(a) The structures were bad enough to warrant rehabilitation.

(b) The structures were good enough to be rehabilitated instead of being demolished.

(c) The block was located in an area in which redevelopment could continue into the surrounding blocks. The neighborhood will have parks, a public playground, some public and semipublic housing.

(d) The block of houses and the central court offered possibilities to the architect which would make the finished product distinctive.

(2) There is the potentiality for a sound social structure in the block. Important to the success of the project is a continuing social agency to work with the people. The task of teaching the art of living, the business of being a homeowner to people who have been forced for years to live in a near-slum pattern of life is a task equal in importance and in difficulty to the job of helping them rebuild their homes. This is the job the Friends Neighborhood Guild is endeavoring to do. This block was chosen because it is in the area serviced by the guild as a settlement house.

(3) It is sound business to rehabilitate this block. Depressed central city areas such as this are not now providing their share of purchasing power for downtown retail merchants, banks, utilities, and other business concerns. People who resent the squalid, ill-kept houses in which they live will not take pride and expend effort and money to improve them. They are unwilling to improve the capital investment of a landlord who has no regard for his own property nor for the people who live in it. In addition, it is sound business from the point of view of the city itself and its taxpayers. Quoting from *Time* magazine of February 7, 1955, "Now mayors and city councils are learning that slums are not only festering sores and schools for crimes, but heavy burdens on city budgets. For example, Baltimore's slums produced only 6 percent of the city's revenues but take 45 percent of all the city's total budget. They account for 45 percent of Baltimore's major crimes and 55 percent of juvenile delinquency."

*How is the block being rehabilitated?*

The Friends, with the services of Oskar Stonorov, a well-known architect, replanned the block both inside and out. A contractor, Unkefer Bros. Construction Co., carried out these plans which fully comply with city codes and FHA regulations. Union labor was used by the contractor. On the other hand, the future owner-occupants earned their 10 percent downpayment by doing the work involved in demolition, cleaning, concrete work, and painting. They sanded and refinished the floors of fine old wide pine boards. They made all their kitchen cupboards and cabinets in a well-equipped woodworking shop which

was made available together with the shop's supervisor, by another Quaker agency known as Bedford Center.

All wooden sheds and other structures which had been added to the original buildings were cleared away. The board fences and rubbish piles which cluttered up the central court gave way to flower beds, lawns, shrubbery, a tot lot, and other recreational facilities.

The three-story buildings were converted into modern apartments, ranging from 1 to 4 bedroom units, each with its own bath and modern kitchen. The apartments are heated from a central source. The room sizes and standards are generally superior to the standards of the American Health Association and the Philadelphia Housing Authority. It is interesting to note that the monthly payments for the new apartments, including heat, gas for cooking, and refrigeration are approximately the same as the families used to pay for their inadequate quarters and utilities.

#### *Who owns the project?*

Title to the property is held by a cooperative corporation, the Eighth & Brown Mutual Housing Corp. The occupants who have contributed their labor, or money in a few cases, receive stock in the corporation. The project is operated and managed by the corporation except that the bylaws require that one-third of the board of directors be appointed by the sponsors of the project, and in addition, by request of the bank, Friends Service, Inc., has entered into a supervisory management agreement which will continue during the life of the mortgage or until the bank is satisfied as to the ability of the corporation to run its affairs without outside assistance.

#### *What have we learned?*

##### *How will it be applied to the second project?*

It is fortunate that the initial block was cut into two halves. Experience is the best teacher and many things have been learned. Rehabilitation for low-middle income families does not mix well with national economic inflation. But inflation hit the first project between the period of making our estimates of cost and the period when the money was spent. We propose in the process of completing the block to find out whether the gap referred to at the beginning can be closed even at today's price levels. A combination of various methods will be used, such as more self-help, different methods of financing, some frills eliminated, closer supervision of labor, and less overhead expense.

While we hope this project will be an inspiration to others—in fact, it already has been—it is important that we and others should learn not only from our successes but from our mistakes as well. These we do not wish to hide and hope at completion to make a careful analysis of the entire project.

**Mr. CROSSMAN.** An application was made to FHA for a commitment to insure a mortgage. It was originally turned down for a number of reasons, the basic one being that it was in a slum area, which up to that time was not acceptable to FHA. The local insuring office was not to blame, but we went to Washington and convinced the then Commissioner that it should be the function of FHA to help in rehabilitation of urban blight. This was in 1948.

Since we were making over these old mansions into modern apartments, and since we wanted the future occupants to own them, it became necessary to set the project up as a cooperative with each family having the dual relationship of tenant to and stockholder in the owning corporation. By the time we were ready to start, section 213 was put into the 1949 act and obviously this was made for our purpose. Since section 213 required a 10 percent downpayment, and since our aim was to help as many low-income families as possible, we proposed to use the self-help technique which we had developed in a community 50 miles south of Pittsburgh, whereby the future occupant-owners would earn the downpayment with labor in lieu of cash. This presented problems which certainly could not be blamed on FHA. Both the local office and Washington cooperated magnificently but due to our peculiar requirements, and the fact that ours was the first 213 applica-



tion in the country, it took a long time; however, we finally obtained a commitment.

The project was finished and final closing with FHA and the banks was on July 23, 1954—

Mr. BARRETT. Let me ask you a question. What caused it to take such a long time?

Mr. CROSSMAN. The pioneering.

Mr. BARRETT. Not the processing of the applications?

Mr. CROSSMAN. No; mostly fitting this self-help concept into the law, and so on. I don't want to blame FHA.

The CHAIRMAN. Yours was a peculiar situation in that respect?

Mr. CROSSMAN. Yes. And, furthermore, we were combining several things, it was the first time, that took delay which was nobody's fault. We had to actually write—our lawyer was asked to write the certification of incorporation because there was no such thing at that time set up. Rehabilitation was new for FHA, low income, the whole concept of slum-clearance idea, the self-help, the whole thing was pioneering, per se; the project was finished and final closing with FHA, and the banks on July 23, 1954, with a mortgage of \$8,100 per apartment average, which was the legal maximum. The project cost more than that due primarily to the Korean-war inflation, but the American Friends Service Committee made up the difference.

I say "primarily due to inflation." Another factor causing increased cost should be recognized. The FHA specifications for the job were held at a level of perfection that many times reminded us of a Williamsburg, Va., restoration instead of a down-to-earth attempt to solve the practical problem of making decent living for low-income people who cannot afford what would obviously be wise if money were no object. At many points we agreed with FHA, especially on certain structural problems where obviously the job had to be done so that the 40-year mortgage would be adequately protected.

However, I shall give you two examples of what I mean. When we found plaster that showed any sign of having come loose from the lathing, we would be the first to want to tear it out and replaster. But I got quite a shock on the day of our open house when the first two families moved in. The public almost unanimously oohed and aahed at the transformation from the "before" to the "after," and we showed them both. After almost everyone had gone home I saw two FHA men still wandering around. I went up to them and said "Well, what do you think of it?" One of the men, who, incidentally, is no longer with FHA, pointed to a wall and said "Rough. That is the way it was before you started. It should have had a skim coat to make it look smooth." I said "There you go again. You want us to spend money on looks, when I have been proudly telling people that we have done our best to keep costs down on unnecessary frills."

Again, I want to point out that I am not blaming FHA people. I am blaming FHA's, perhaps, concepts, perhaps their whole, at that point, lack of acquaintance with the problem of rehabilitation versus new building.

Mr. GAMBLE. Too much of the esthetic?

Mr. CROSSMAN. Perhaps.

Now, the other example. We were told that all exterior walls must be furred. Well, that is fine in new construction, especially when walls are built the way they are today. But here is a hundred-year-

old solid brick wall on the south side of the building without furring. The north side was furred 100 years ago. Those builders figured south walls didn't need furring, where north walls did.

The CHAIRMAN. I realize that I am about to show my ignorance here, but you use a term I am not familiar with.

Mr. CROSSMAN. Furred?

The CHAIRMAN. Yes.

Mr. CROSSMAN. When you put up the wall you put inside of it what we call furring, with an air space between.

The CHAIRMAN. I am familiar with that. We have a different name for it.

Mr. CROSSMAN. Well, wealthy families had built these buildings and lived in them until the city grew industrially and pushed them into the suburbs. So in our concept of keeping costs down within range of low-income families we didn't want to furr those south walls. But FHA said they had to be furred because that is standard practice in 1955. I don't blame the FHA inspector. I don't blame anybody.

Mr. BARRETT. How long was this after you made the application?

Mr. CROSSMAN. This was in the process, while we were working it out.

That is another point that ought to be mentioned. It is virtually impossible to put all of the detailed specifications into a written statement of what we are going to end up with when we haven't even started to tear out walls, tear out partitions to see what we are going to run into, and after we run into them we have to make certain decisions that couldn't be foreseen in the specification, and the FHA inspector, therefore, has quite a job on his hands in comparison with new building, and that should also be recognized. I don't blame the FHA inspector. I don't blame anybody. I am merely pointing out to you gentlemen who are inquiring into the whole question of urban renewal that some thinking needs to be done on the subject of physical standards for rehabilitation. If we don't succeed in keeping costs down we will merely move the slums over by being forced to bring into our project people of a higher-income level who can pay the bill. And our whole premise, I might say, as the American Friends Service Committee, and the Friends Neighborhood Guild, is to help low-income people, or else we are not interested.

I want you to understand we are not professional builders. We are trying to get to the bottom of the predicament of a third of the people of the United States. We are trying to get to grips with it.

The CHAIRMAN. You are interested in helping people who need help?

Mr. CROSSMAN. Yes; and we want them to help themselves as well as for us as sponsors, or the Government, or anybody else, to help them.

Now, I should like to describe another problem in getting a commitment under section 213. Before a statement of eligibility could be converted into a commitment, 90 percent, under the 1954 law 100 percent, of the apartments had to be sold. People had to sign a subscription agreement obligating themselves to the 10-percent down payment whether in labor or cash.

Now, gentlemen, I ask you to please imagine yourselves for a minute as real-estate salesmen. A prospect comes in to answer an ad in the

paper. "Please may I show you our wonderful apartments? I know you have been out back and seen it as it is now, and you have some justification for calling it a slum, but let me show you what it is going to look like when we get through. See this pretty drawing the architect has made? And let me show you these blueprints of the floor plan of your apartment." "Sorry, they look like white lines on blue paper to me. When can I move in?" "Why, as soon as we get 90 families signed up, convert the statement of eligibility into a firm commitment, get the commitment with the mortgagee formalized, the agreement for the construction loan signed, and then get the actual job done." "I'll believe it when I see it," says the prospect, "and, besides I have got to have a house now, not in some indefinite future."

Our project manager and his assistant deserve medals for being able to sign up fifty-and-some-odd families—there will be 100 apartments in total—in spite of the difficulties. So we asked FHA to split the project into two halves, giving us a commitment for the first half, leaving the rest until later. This would satisfy the 90-percent rule. At first they didn't feel this to be wise lest we get tired of the job and fail to proceed with the second half, thus leaving their first commitment in jeopardy. Finally, on our promise not to quit until the whole block was finished, they agreed. But then you start the process all over again. Surveyors had to divide the block, a new application processed, et cetera. Six more months' delay. Will the 52 families originally signed up still be waiting or will they have demanded release from their commitment? Why there weren't more who did withdraw than there were, I will never know.

And here I am venturing on the same subject you were discussing a little while ago, and I am not sure I have as sensible an answer as you heard, but I had wondered, not being a lawmaker, why the sponsors could not be held responsible for the downpayment, and then allow a reasonable time for the apartments to be sold, failure to sell them within the time limit to place the sponsor in the same position he would have been in had he started out as a rental project under section 207 or 220, for instance. I have no idea whether this is the right answer, I am not a lawmaker, but there must be a right answer.

When our first half was finished, we immediately put in application for a commitment for the other half. We received a statement of eligibility, this time with the new provision that 100 percent had to be sold before we could receive the commitment. While we were in the process of doing this, the 1954 law went into effect, which changed the basis for calculating the size of the mortgage from one of replacement cost to the concept of evaluation.

The CHAIRMAN. That is the 1955 act?

Mr. CROSSMAN. The 1954 act changed it from replacement cost to valuation, and the 1955 act changed it back.

We were completely stopped in our tracks. The size of the commitment was reduced from \$8,100 per apartment to \$3,350. I don't need to recite the agony we went through for over a year in trying to find the way by which we could finish the job we had started. On the last day you were in session you amended the 1955 law getting both sections 220 and 213 back onto a replacement basis. So now the FHA office has informed us that we can revive our old statement of eligibility and proceed with an adequate commitment.

We are still faced, however, with the dilemma of having to sell 100 percent of the apartments in advance if we are to use section 213.

To summarize, we believe from our actual experience that there are two basic needs for revision of the required procedures. One, that rehabilitation requires a different approach to physical standards than are applied to new construction. This concerns the whole concept of urban renewal as a means to the end of creating adequate housing for low-income people. The other, the advanced sale requirements, is a technical detail applicable only to section 213 which was to us a grave obstacle to the success of our program.

The CHAIRMAN. Your summary is very good, the two points you make there. And as to the first one, I think FHA might need a different concept as to what it needs to rehabilitate as distinguished from a new structure.

I want to express our appreciation for your coming here, and say our thanks to your wonderful organization for the magnificent job it is doing.

Any questions, gentlemen?

Thank you very much.

The next witness is going to discuss two old subjects. I believe he was referred to by an earlier witness.

Mr. Mayer Blum. Come around, Mr. Blum. You must have a big family. That is a common name in Alabama.

Mr. MAYER BLUM. I have a big family right here, three sons.

#### STATEMENT OF MAYER I. BLUM

Mr. MAYER BLUM. I think I am in the right church but the wrong pew, when you said I was to discuss 207. I think Mr. Massey did that very well. However, I jotted down some of the things that arose during your discussion.

From a practical point of view, we have been in business for over 30 years.

The CHAIRMAN. What is your name?

Mr. MAYER BLUM. Mayer I. Blum. We are engineers who specialize in apartment-house operation in the city of Philadelphia. I think we have built more, own more, and manage more multiple units than any two developers, and we have never defaulted in all that time.

I wanted to speak on several questions you asked prior speakers, first as to the city mortgage market, is it good in Philadelphia. We built a 301 project.

The CHAIRMAN. Conventional?

Mr. MAYER BLUM. It is a loan you granted originally, and we just refinanced with Equitable Life, \$4,200,000.

The CHAIRMAN. Did you refinance to get out from restrictions of FHA?

Mr. MAYER BLUM. Yes; I was afraid to have somebody tell me how to run an apartment house after I had spent my life in it, I am frank to tell you.

During that time we amortized a good bit of it. We put up another couple hundred thousand and it was a good deal. I thought it was the finest form of financing FHA ever had. Of course, some people took advantage of it.

I don't think the FHA officers had the real men behind them to administer that act right. If they did, you would still continue with 608's.

Let us go back to a few other things. We are just completing that job in Detroit. Mr. Massey told you about us, he came to us. I went out there and met the owners. There is a 15-story job, 448 units, beautiful size rooms, reinforced concrete, built by one of the most able contracting firms in the country, Turner Construction Co., who have been doing work for us for over 30 years. We started on that job. It will be the only 213 I do unless the act is changed because we have stock in there of one hundred and thirty-some-odd thousand dollars, and haven't gotten 5 cents for our work yet in 2 years, just because there is so much redtape attached to it that we have to abide by your so-called rules and regulations.

We don't mind certified costs. We went into that job to be content with our 5 percent fee, and when you do a \$5 million job a 5 percent fee is no hay, it is good money. We didn't object at all to your certified costs, we gladly went along with it.

Mr. BARRETT. What do you think is a reasonable fee?

Mr. MAYER BLUM. That depends on the size of the job.

Mr. BARRETT. That is what I wanted to point out.

Mr. MAYER BLUM. It depends on the size of the job. That job there is a \$5 million project. We agreed the 5 percent allowed by the FHA was fair and just, and we took it on that basis.

Mr. BARRETT. What about a smaller job?

Mr. MAYER BLUM. You would have to allow a little more, you have a lot of supervision, a lot of work to do. The detail work for your offices is tremendous. You constantly have two people just follow the job.

I brought one son along who follows that Detroit job, and he can answer any question you want as far as 213 is concerned.

Mr. BARRETT. Would you say 7½ percent would be reasonable?

Mr. MAYER BLUM. 7½ percent is still better than 5, naturally.

The CHAIRMAN. Let us get back to 213. Why are you not going to build any more?

Mr. MAYER BLUM. I will tell you the truth. You demand an absolute sale of 90 percent. We went out there on fertile ground. We had to build a sample of four apartments, that building cost \$36,000, it is now torn down because they are moving in next month.

We had to build that to show the public what we are going to sell them, and everything had to be according to the sample we did. After we got the plans approved there were certain changes demanded out there that the local authorities demand that brought the cost up 5 percent. That isn't much when you are hitting a \$6 million job. So we went to the co-ops and told them the truth about it, and they said you are doing such a fine job we will approve the increase in the mortgage.

New York Life, which took the loan, said, "Well, get the FHA to approve it." We have been 4 months now trying to get the FHA to approve it. We have been 19 months on that 1 job and haven't got 5 cents for our work, and all of the things we did, and we are going to move them in in the next 6 weeks.

The CHAIRMAN. You are ready to move them in and haven't collected any profits at all?

Mr. MAYER BLUM. That is right.

The CHAIRMAN. That is not much of an incentive.

Mr. MAYER BLUM. That is right.

Do you want to know the cost per room there, and they are all nice sized rooms, and that market is about 7 or 8 percent higher than this market, labor costs are higher in Detroit than Philadelphia. Our actual cost per room there is \$2,880, and if we got our 5 percent it would be about \$3,100.

Now, we would take that job and gladly be in a position to manage it because your act calls for 5 percent management fee, but then you have got another joker in there that says when the so-called co-ops get together, and if they don't like the management, out he goes on his ears. So what do you do? Walk in there and build a building for someone in Detroit and they have a right to fire you after the first year. The FHA ought to have some power to say this man has been in business for so many years, we think he is entitled to the management. You should control that.

Mr. BARRETT. What objections are you meeting in FHA?

Mr. MAYER BLUM. Well, naturally, they resent us Philadelphians coming in there and showing them how to build a multiple job. There haven't been any built in 25 years. But we went in there, it is costing us a lot of money, and we aren't getting to first base.

Mr. BARRETT. We met an occasion in New York where the FHA objected to the elevators stopping at odd and even numbered floors. Do you operate on the same basis?

Mr. MAYER BLUM. No, all our buildings operate on each floor, full automatic controls.

In the Detroit job, if you gentlemen are going to be out there on the hearing, I wish you would pay a visit to the building. We would welcome the inspection. It is a beaut.

Mr. BARRETT. Did you find you had additional costs?

Mr. MAYER BLUM. Yes, only on account of certain changes the FHA and local officials wanted. Still that only amounted to about 5 percent of the project. It is all sold out. The owners have agreed that we are entitled to that extra, and we made out the necessary—I think my son could answer that better than I could.

Now, let's go back to some other things. We are renting that job out there for \$27 a room, and when I tell you the smallest living room there runs around 12 by 20, and the smallest bedroom is 10 by 16, and the secondary bedrooms run around 135 feet, reinforced concrete, the finest self-service elevators that money can buy, just look at it. That is bringing cost down with the initial investment of the owner.

Now, let us go into some other things. I am not familiar too much with the 220. I am familiar with 207.

Mr. ASHLEY. Mr. Blum, before you get into 220, have you covered as thoroughly as you can the administrative prohibitions in connection with 213 that are responsible for your present attitude about the 213 projects?

Mr. MAYER BLUM. Well, I don't know, my son ought to answer that. He is out there more often than I am.

Mr. MARVIN BLUM. I think one of the biggest failings of the 213 is the 90-percent sales before actual construction starts, which is

awfully hard to get on a job, and that is where the investor has to wait and wait and keep putting money into the job.

I think anywhere between 25 and 50 percent would be adequate.

Mr. ASHLEY. Did you hear the other witness speak about the possibility of convertibility?

Mr. MARVIN BLUM. Mr. Massey, yes; I think it is a good idea.

Mr. ASHLEY. Do you have any other criticism of the administrative regulations in connection with 213?

Mr. MARVIN BLUM. On 213?

Mr. ASHLEY. Yes.

Mr. MARVIN BLUM. I can say this: The FHA has been very cooperative on the matter. We have had no trouble with the cooperatives at all because we have sent out a monthly bulletin since we started construction of the job showing the actual construction of the job, and giving information to all of the cooperatives to keep them away from the building so they would not come out and get into our hair. We allow them to inspect the properties only on the weekends.

Mr. ASHLEY. I don't think you understood my question.

Mr. MARVIN BLUM. Any administrative troubles; is that the question?

Mr. ASHLEY. With reference to the rules and regulations relating to section 213; in other words, your father has expressed the view that under the present circumstances this will be the last 213.

Mr. MARVIN BLUM. The amount of investment for the amount of profit is not conducive; it is not there. That is one of the biggest things, that and the sales of the actual apartments, but I think the act is a very good act. I think on cost certification there is nothing wrong with that. Outside of a lot of redtape, we have no trouble with it whatsoever.

The CHAIRMAN. Mr. Blum, we will have to move along pretty fast, because there is another witness with other appointments.

Mr. MAYER BLUM. There isn't much more to say.

As to 207, we have been advised by our legal department not to enter into it. When the act is clear so that a real businessman can do business on it, we will be right here.

Mr. BARRETT. We will go on record saying you always do a beautiful job, Mr. Blum.

Mr. MAYER BLUM. Most of our work, for your information, 75 percent of it, has been conventional. Take the Presidential, that is the largest job, it was conventional, it ran around 9 or 10 million dollars. We have tried a few with the FHA, and I believe it is fine financing, but some of the things just aren't there.

That is all. Now, you fellows have to find the answer to it.

Any other questions?

The CHAIRMAN. Thank you very much, Mr. Blum, for appearing. We appreciate the information.

We are going to take about a 3- or 4-minute break. We have one other witness.

Mr. WIDNALL. Mr. Chairman, before the break, at the time that Mr. Rafsky testified he mentioned six rejections under that voluntary home mortgage credit program, and I have here the names of the applicants, the location of the property, and the reason for rejection. If this could be inserted in the record right after his testimony I think that would be helpful.

The CHAIRMAN. It may be inserted right after Mr. Rafsky's main testimony.

Also immediately following Mr. Rafsky's testimony we will insert the testimony or statement of Mr. Walter E. Alessandrini, executive director for Philadelphia Housing Authority.

(There was a short recess taken.)

The CHAIRMAN. The committee will come to order.

The next witness is Mr. Norman Blumberg, representing the American Federation of Labor.

Would you come around, Mr. Blumberg.

Do you represent the American Federation of Labor, Mr. Blumberg?

Mr. BLUMBERG. Yes, I do.

The CHAIRMAN. Please identify yourself for the record, and proceed with your statement.

**STATEMENT OF NORMAN BLUMBERG, BUSINESS MANAGER, CENTRAL LABOR UNION OF PHILADELPHIA AND VICINITY, AMERICAN FEDERATION OF LABOR**

Mr. BLUMBERG. The Central Labor Union of Philadelphia and vicinity, which is the Philadelphia branch of the American Federation of Labor, appreciates this opportunity to present its views to this meeting of the House Subcommittee on Housing.

The Philadelphia branch of the American Federation of Labor represents over 230,000 working men and women in over 200 A. F. of L. affiliates throughout Philadelphia and vicinity. Your committee is aware of our vital interest and concern in the immediate and urgent problem of housing.

The housing problem of our Nation is many sided. Slums continue to blight our community; there is the statistical evidence that there is inadequate housing for the middle and lower income groups in our economy to whom the privately constructed homes are financially out of reach. Decent housing for all of our citizens, therefore, continues to occupy a key role in our national picture. Good housing is an inseparable component of the well-being of our Nation. There is no question of the unhappy relationship which exists between slums, crowded housing, and delinquency.

Our organization submits to your committee the following essential ingredients for meeting our important problem on housing:

I do not believe that we could disagree that our housing problem will remain unsolved until we meet the obligations of providing all families, regardless of the level of their income, the opportunity to obtain decent housing.

The most pressing need for housing for the low-income families must be met by legislative action on the part of Congress to enact a housing bill based on the needs of the low income groups. The failure of the last Congress to pass an adequate and realistic housing bill spelled doom to the hopes of thousands of families presently raising children in blighted areas.

Housing for middle-income families:

Much of the new constructed housing is still unattainable to the middle-income families. The Housing Act of 1950, introduced into Congress by this committee, contained the basic principle to make



good housing available to middle-income families at costs they could afford. The core of that principle was the provision of low-cost, long-term loans for housing for middle-income families.

The present interest rates under the FHA and VA programs are too high. We would recommend a low-cost, long-amortization loan program to assist the middle-income families in home purchasing at moderate costs that they can afford.

Purchasers of homes under the FHA and VA programs should be given protection through a lapsed-payment plan. Such plan would establish a revolving fund to insure monthly payments in the event a home buyer is forced to miss monthly payments due to conditions of unemployment, illness, death in the family, or other emergency. The mortgagor would be expected to make slightly higher monthly payments to make up for the lapsed time and to reimburse the revolving fund.

The Federal Government should not provide financial assistance for projects which involve substandard wages for any employee. We propose that any housing built under the FHA and VA programs, as well as all other types of housing programs which utilize Federal financial assistance, be made subject to the requirements for the payment to all employees of the going wage rates prevailing in that locality.

A sufficient number of new houses built for the low- and middle-income groups would make feasible slum clearance on a large scale. Such a program would diminish the problem of housing where such families are living in substandard dwellings and require housing in the slum-demolition program.

Our housing problems have been under congressional investigation for many years. It is a problem that is in tune with the increase in our population, with the inescapable fact that houses, like people, grow old. We have made progress in the direction of redevelopment of blighted areas. But there still remains the areas beyond repair which must be eradicated and replaced with decent housing.

The American Federation of Labor urges your committee to favorably consider the solution of our housing problem taking into account the vast construction going on by private builders and augmenting that construction with Federal legislation and assistance to provide housing for the middle- and low-income groups.

This is indeed a program which would accrue our city, State, and Nation the benefits of good housing and make our cities and States fine places in which to live and work and proper environments to raise our future citizens.

Thank you for the courtesy extended to us.

The CHAIRMAN. What is your particular position with the American Federation of Labor, Mr. Blumberg?

Mr. BLUMBERG. My particular position happens to be the business manager of the Central Labor Union, which is the American Federation of Labor branch in the city of Philadelphia.

The CHAIRMAN. Thank you very much.

Mr. Barrett has a question.

Mr. BARRETT. I just want to say you gave a very fine statement here, and I am quite sure that you would be interested in housing for the aged and the handicapped. You would certainly go on record for that?

Mr. BLUMBERG. Housing for the aged? Yes.

Mr. BARRETT. And for the handicapped?

Mr. BLUMBERG. Definitely.

Mr. BARRETT. I just wanted to get you on the record so we can use it at the appropriate time.

The CHAIRMAN. Any questions?

Mr. WIDNALL. Has the A. F. of L. in Philadelphia tried to build any cooperatives for their members, or for others similar to the construction by unions in New York City?

Mr. BLUMBERG. No; there is no move of that sort on foot in the city of Philadelphia, to my knowledge.

Mr. WIDNALL. Your union doesn't contemplate that?

Mr. BLUMBERG. No. I know of what you speak with reference to the one in New York, but in Philadelphia, no, there hasn't been any contemplated move on the part of the American Federation of Labor on behalf of their people to start a cooperative building program.

The CHAIRMAN. Thank you, Mr. Blumberg.

That completes the list of witnesses today, thanks to my colleagues on the committee. We meet tomorrow at 9:30, when Mr. William Levitt is the first witness. We stand in recess.

(Whereupon, at 4:15 p. m., the hearing adjourned until Thursday, October 13, 1955, at 10 a. m.)

## INVESTIGATION OF HOUSING, 1955

THURSDAY, OCTOBER 13, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*Philadelphia, Pa.*

The subcommittee met at 10 a. m., Hon. Albert Rains (chairman) presiding.

Present: Chairman Rains (presiding), and Messrs. Barrett, O'Hara, Ashley, and Gamble.

The CHAIRMAN. The committee will come to order.

We have present this morning Mr. William Levitt. Come around, Mr. Levitt, and have a seat. The committee will be glad to hear from you. You don't have any written statement. You want to speak extemporaneously?

Mr. LEVITT. I think so, Mr. Rains.

### STATEMENT OF WILLIAM B. LEVITT, HOME BUILDER

I wanted to talk generally on my own opinion as to what was going to happen to the building industry next year, provided the current credit restrictions remained in effect, and I wanted to tell you a little bit of what has happened on our own job, which I think will be of value to the committee and to the industry at large. Most builders, including myself, right now have sufficient commitments to carry them under the old terms for the next 2, 3, 4, or perhaps 5 months. We have some still left, and when they expire then we go on the new terms, but what we did was to take 100 of our applications at random and apply to them the new yardsticks.

The CHAIRMAN. That is the higher downpayment and shorter term?

Mr. LEVITT. That is right, and we came up with a very amazing set of figures, and that is that we lost 35 percent—35 out of the 100.

Mr. BARRETT. What do you mean by "lost"?

Mr. LEVITT. Thirty-five out of the hundred, Mr. Gamble, would not have qualified. We could not sell them a house. They were not in a position to buy a house. Their credit wasn't sufficiently good to carry the higher charges and in certain other cases they didn't have the amount of cash that was necessary.

Mr. BARRETT. Mr. Levitt, just for the record, this question was asked yesterday and I don't think we got it on the record. How do you qualify an applicant according to his income?

Mr. LEVITT. Well, each bank puts its own credit restrictions down. One bank will say if the charges are \$70 a month, they want \$70 a

week, plus 10 percent. Another bank will say we want 15 percent above that. Now, our banks have been very, very lenient with us. They have been very, very fair. They haven't gone overboard. With those yardsticks we have lost, or would lose 35 percent.

The CHAIRMAN. In other words, to put it in plain English, if the present credit curtailments which have been put into effect as to down-payment and length of mortgage, out of those hundred you checked, 35 people could not qualify?

Mr. LEVITT. That is right.

The CHAIRMAN. In other words, about a third of the houses in the price range in which you are building would not have been built?

Mr. LEVITT. That is right, and the bulk of our houses are ten to twelve thousand dollars. We have a few higher priced houses.

The CHAIRMAN. Ten to twelve?

Mr. LEVITT. Yes; which is the backbone of the housing business. And the implication is this: If that amount of housing is dropped from the production figures of next year, you not only have trouble in the housing industry, which is important in and of itself, but you have got trouble in every single, solitary industry throughout the United States, and you have got, in my opinion, a major depression on your hands if building gets knocked down one-third or if building gets knocked down 25 percent—you have got trouble on your hands in the United States.

Mr. BARRETT. Let's get the number of rooms in each of the houses you refer to.

Mr. LEVITT. All right. In a \$10,000 house it is a 5-room house, plus an expansion room for 2 more rooms, including a garage.

The CHAIRMAN. Of course, that kind of cut, even a 25 percent cut, would vitally affect the appliance industries. It would affect not only the building material industry, but would affect numerous other industries that add greatly to the national income; wouldn't it?

Mr. LEVITT. I can't think, Mr. Rains, of any industry it does not affect. I say it affects the automobile industry, it affects the television industry, it affects the radio industry. If you haven't got a house to put a new television set in, you have one less television set to produce and sell. The same goes for automobiles. It means that the fellows that are in the housing business are out of jobs and can't have the wherewithal to buy the automobiles. It is a vicious circle all the way around. It is the backbone of the economy of the United States.

The CHAIRMAN. I should know these figures, but do you have with you the approximate percentage of the national income contributed by the building industry?

Mr. LEVITT. Yes; directly and indirectly, 25 percent.

The CHAIRMAN. Twenty-five percent.

Mr. LEVITT. Twenty-five percent of the workable population of America is employed directly or indirectly by the building industry. I say that it is too serious. I say that the Federal Reserve Board has been playing with dynamite in this turning on and off. Let me go on for a moment, Mr. Rains, because this is something as a builder I am qualified to talk about. The Federal Reserve Board has said over and over again that "we have got to put these restrictions on because we might be running away with ourselves, but don't worry, boys, we will take them off again when we have to."

Well, you can't do that in the building industry because as of 2 weeks from now, we in my company will be finished planning the production for next year, and whatever Federal Reserve does next February and March is not going to help us. It is too late. Our stuff has been ordered. The schedules have been mapped out when to ship. Our ground crews have been set to do so-and-so and so-and-so, and that has to be done now if you are going to run an orderly job.

Now, in greater or lesser degree, or in greater or lesser efficiency, that applies to every single builder in the United States.

Mr. BARRETT. Let me interpose this at this point: What does that cause, inflation or deflation?

Mr. LEVITT. Right now the Federal Reserve Board's action has contributed to deflation. It has been a move to combat inflation. But you can go easily either way. It is much easier to put a brake, I say, as far as the building industry is concerned, on inflation, because all you have to do is crack out a regulation and say tomorrow morning this is what happens, than it is to stop deflation as it goes down. You can't just press a button and produce more houses. It takes a long time to gear up. We have had this same argument before this committee, the whole Banking and Currency Committee, and the Senate Banking and Currency Committee, on this perennial legislation where every year the industry doesn't know where it stands.

This now is something that has bewildered a great many of us in the industry who don't know quite how it came about. I think you will recall, Mr. Rains, that when the current Housing Act was first proposed, a year or so ago, the discretion was with the President as to what downpayments should be, and most of us who thought a little bit on that opposed that and said it should not be with him, that it should be strictly by act of Congress and let us know where we stand at least a year in advance. And that is what went into the legislation, and the discretionary power of the President was removed. How this came about, I don't know.

The CHAIRMAN. Well, this is an indirect attack. It doesn't come through housing legislation. This tightening of credit now, Mr. Levitt, comes from an action of the Federal Reserve in the mortgage market which does the same thing by an indirect method.

Mr. LEVITT. You are absolutely right, and I think that it completely violates the spirit and the intent of the act where Congress specifically removed the power of the President to adjust payments and maturity dates up and down. Now through some sort of an Executive order—I know it is legal—

The CHAIRMAN. And in addition to that, it comes about on the monetary system instead, because of the tightening of credit through the Federal Reserve and the discount rate, and because of the curtailment of lending of the Home Loan Bank Board, the Federal savings and loan institutions, and there is a general tightening on money all of the way down.

We had before us yesterday mortgage bankers here in Philadelphia, and they gave us the same story, that the money market was getting tighter all of the time.

Mr. LEVITT. I would like to go on record on this money market being tight. We are no longer in a complete laissez-faire economy, whether the administration be Republican or Democrat. Now we

have reached such a fantastic complex state of existence and a high standard of living that if we are going to maintain it, Government has a very active part in it.

This business of the Federal Reserve Board not supporting a bond market and say, "If you can get money, go ahead and get it, but we will not support anything"—I say there is no longer time for that because you cannot let an industry like this collapse because, let's say, that we in and of ourselves cannot go out and get mortgage money. Because we are little, tiny people, we cannot extend credit to John Jones on the street. I say that what has happened now completely overlooks the fact that the economy of this country works on credit and only on credit, and that you will not build a million and a quarter houses a year unless you have very easy credit, and you will not sell automobiles unless you have easy credit, and the minute you begin to let down on that and the minute you begin to tighten up on either one of those two key industries, you have got a complete recession on your hands, and I think that this committee ought to—

The CHAIRMAN. Well, of course, it becomes a very complicated deal and gets off into fields only related to housing, but the failure of the Government to support the bond market at par, Treasury, I am talking about, is the very thing that is causing this downward trend now.

Mr. LEVITT. That is the number 1 thing, as far as we are concerned, on the lack of mortgage funds, the nonsupport of the Federal bond market. You are not going to get any savings bank to sell its bonds at below cost in order to get mortgage money to lend to me or anybody else. That is part one.

This breaks down into two things, as I see it: (1) the credit restrictions which have been placed by Government, which can only result in a substantial lessening of production in the building industry, which will cause trouble; and (2) a non-support by the Federal Government, the Federal Reserve Board, of the Federal bond market, which in turn dries up the mortgage market. I think those two things should very definitely be the subject of Government and congressional action. I think there is much too much discretion on both of those items left in the hands of comparative few people.

The CHAIRMAN. Also, there is the action of the Home Loan Bank Board, which in reality is Treasury action.

Mr. LEVITT. That is the same thing, Mr. Rains.

The CHAIRMAN. Well, one question there, and to me the answer is obvious, but I would like to have your opinion: Do you see any saturation in the home building industry? Does everybody have the houses they need or not?

Mr. LEVITT. I am very glad that you asked that question. In fact, I should like to have had that one planted. I like that question. That question has been raised and discussed by "experts" so many times that I think a decent answer ought to come out. Why doesn't somebody—and I am answering it indirectly—why doesn't somebody ask the same question about the automobile industry? Have we reached the saturation point in automobiles? Have we reached the saturation point in television sets? Have we reached the saturation point in baby carriages? No one ever asks that question. It is always in houses. I maintain a house is no different from anything else.

I tell you I don't think anybody is without a roof over his head. This isn't 1945 or 1946. But at the same time I don't think that anybody desperately needs an automobile. We sell houses for the same reason that the automobile company sells automobiles. People want to increase their standard of living, they want something a little bit better. As you sell a used car to someone that didn't have a car before, we will sell a 1950 model house to somebody who hasn't got that and a 1956 model to somebody else. There is no saturation point. We have a natural degree of obsolescence every year. We have a fantastic rise in population which is coming every year for at least the next 25 or 30 years, according to the statistics. There is no saturation point.

The CHAIRMAN. And in addition to that we still have family after family still doubled up, we still have slums all over the country, haven't we?

Mr. LEVITT. We haven't begun to scratch the surface if we have a goal that everybody should be decently housed. No; we are nowhere near a saturation point, and I maintain that we will never be at any saturation point as long as man goes on and wants to increase his standard of living, any more than you are at a saturation point in automobiles or anything else. A house gets old and dies also after a period of time.

The CHAIRMAN. I agree. Of course, today more than any other day we are studying the mortgage market and any information you can give us on that as to the reaction of financial institutions toward these recent credit curbs is right in line.

Mr. LEVITT. May I make one suggestion, as far as the mortgage market is concerned, that would insure a plentiful supply of mortgage money for you, your children and your grandchildren, and that is the pension funds of America. This is now a disgrace of high banking and high finance, and publicly I want to announce right now that I am starting an individual war on them. As of the day before yesterday—or was it yesterday—if you noticed the financial page of the New York Times, the pension funds of America reached \$11,800 million. Last year they gained almost \$2 billion, slightly under. This year in capital funds only they will gain at least \$2 billion more, and the year after this they will gain two and a half billion dollars more, and this goes on to a point where you and I can't comprehend these figures. They are absolutely beyond the comprehension of man. These funds are coming in every single day, every single year.

I sat with the head of the largest fund of America. You can guess what company it is, and he said that they don't know what to do with the surplus income that comes out. I said: "Why don't you put it in mortgages?" And there lies the tale. The pension funds are invested primarily in Government and corporate bonds, they have an income of an average of something under 3 percent. It requires no effort and no work to invest them in those securities. Somebody sits in a bank. There is one bank, and you can guess this one too, that has approximately one-third of all of the pension funds of America, for which it acts as trustee. The United States Steel pension fund trustee organization consists of four people only, only four people in the whole department, because that is all it requires to use a scissors. Mortgages require a little bit of effort. There is no question of security. I am talking now of Government-secured mortgages or Government-guaranteed mortgages.

Here is the payoff: They must net at least 4 percent. They are four and a half percent, and we allow a half a percent for collection, and so on. The institutional trustee must get at least 4 percent. Here is all it can mean:

First: The stockholders' contribution to the pension trust gets lessened, because the income is more.

Second: The benefits to the recipients and beneficiaries of the trust must be greater. This is where labor should be interested, because the income is more.

Third: The mortgage market of the United States has a plentiful supply of funds, and mind you, I am not saying to take all of the pension funds. I am saying taking 10 or 15 percent maximum and putting it in mortgages, you no longer have a mortgage problem in the United States, which means all mortgages then are at par, which means that the cost of a house is less, because let's not kid ourselves: If mortgage money costs us money, it is the same kind of a cost as a steel beam or a barrel of nails. It is a cost.

The CHAIRMAN. It is reflected in the house.

Mr. LEVITT. There is no question about it, and Joe Public pays for it.

The CHAIRMAN. Well, let me ask you a question and drop a suggestion and see what you think about it. You know, of course, that for the monetary system itself, for the banks, we have the Federal Reserve Board. For the Federal savings and loan associations, we have the Home Loan Bank Board. The mortgage and loan associations get about a third of the mortgages for homes in this country, the commercial banks about 28 percent—these are round figures—and the rest is left to the open mortgage market about which you are talking.

Do you think it would be wise for Congress to recognize mortgages in the same category that we recognize other Government securities, establish a central mortgage bank of some type that would give to mortgages in the open market the standing that they have to have?

Mr. LEVITT. You are talking of guaranteed mortgages?

The CHAIRMAN. Yes.

Mr. LEVITT. I can see problems of administration. I don't think it is necessary, any more than you regulate the supply of steel or lumber. I don't think it is necessary. I think all you have to do is to find—reverting to building language, a source of manufacture of money, and I know where that source is right now, and it is growing bigger and bigger and bigger, regardless of how big.

Now I think, for instance, that some day, 1960 or 1961, we are going to have to produce 2 million housing units a year because we are going to have a very big increase in population and new family formations. That money to finance those houses can only come from two places right now, either the pension funds or Uncle Sam's, either direct loans by Government or the pension funds. There isn't enough money to finance that volume of housing. There isn't enough money to finance a million and a quarter units right now, there just isn't.

The CHAIRMAN. Is the supply of money expanding fast enough to provide full employment and full production at present?

Mr. LEVITT. I don't quite understand the question.

The CHAIRMAN. You say there is a shortage of money. I can't quite go along with that.

Mr. LEVITT. Of mortgage money.



The CHAIRMAN. The money is still available, but isn't the restrictions which are put on it, which makes it no longer an inducement on the part of the man with mortgage money to lend?

Mr. LEVITT. No, no, no. Let me give you some figures, Mr. Rains. Bowers Savings Bank has a limit of 65 percent of its portfolio to be invested in mortgages. They are there. There are a couple of other New York City savings banks that I know, that went 2 or 3 percent above its quota. A bank can't take every nickel it has got and put it in mortgages. It has to diversify its portfolio a little bit. And they are up to the hilt. They are overextended. They just haven't got it.

The CHAIRMAN. What do you think about the Federal National Mortgage Association's failure—well, I won't say failure, but what do you think they are doing to support the mortgage market?

Mr. LEVITT. Fannie May?

The CHAIRMAN. Yes.

Mr. LEVITT. Very little.

The CHAIRMAN. Do you think they should help to steady the market by standing at a higher figure, or follow along as they are?

Mr. LEVITT. Fannie May is so complicated now that I don't know whether anybody understands what is going on there. I certainly don't.

The CHAIRMAN. You agree it is not doing a good job?

Mr. LEVITT. Fannie May's usefulness has been long over. We are trying to get to the point where Fannie May will eventually disappear. You are going to have two things, and the agitation is going to commence when Congress reconvenes in January. Either for direct lending by Government, again, or if somebody can break open the pension trusts of America. They have got to be somehow or other forced, cajoled, into lending 10 or 15 percent of their money into guaranteed or insured mortgages. Otherwise this housing market cannot be sustained. The present market can't be sustained.

The CHAIRMAN. If Government bonds were supported at par, then the banks could—

Mr. LEVITT. Help a little bit right now. As a long-term deal, no, because that would presuppose that what the banks would do would be sell all of their Government bonds out and put it in mortgages which they won't do. The banks have never had enough to finance a million and a quarter or a million three hundred thousand units in a year, but the Government—and I am going to blame the Government—not blame them—I think they did right by doing it—they have geared us up in this industry, and as a consequence we in turn have geared suppliers. Suppliers in turn have geared the baby carriage manufacturers, and so on, to an annual production of around a million and a quarter units a year. You cannot slash that down by any kind of arbitrary action.

The CHAIRMAN. There is one other question: I admit that this is a bit off the field of study for this committee. I believe it belongs to another committee, but I would like to ask a question since you have mentioned these trust funds. Several of us in the Congress have introduced bills which would provide for a certain percentage of the trust fund backing up GI insurance funds which now is a fabulous figure also, that it be invested in GI loans, the mortgage market in GI

loans, which would bring 4 percent instead of 2½ percent. What do you think of that?

You have a guaranteed mortgage.

Mr. LEVITT. You are talking the same thing I am. You are saying trust funds and I am saying pension funds. There is only one argument against it, and the argument is not a valid one. That argument is that it costs us too much to service. That argument is bunk, because if you will take a half point off and net them 4 percent, for that half point you can get any banking institution anywhere in the United States to service those mortgages; I mean good, legitimate, recognized institutions, not any fly-by-night outfit, and they get 4 percent, which is substantially more, anywhere from 33⅓ to 50 percent more than they are netting out of their bond investments.

The CHAIRMAN. Then you stick to your conclusions that if the present credit restrictions hold in the light of the planning that must be done for next year in the building industry, that the home-building industry can look for a decrease of approximately 25 percent?

Mr. LEVITT. Twenty-five percent minimum, perhaps more.

The CHAIRMAN. How many houses are you building now, Mr. Levitt?

Mr. LEVITT. This year we will have produced about 4,000.

The CHAIRMAN. About 4,000 houses this year?

Mr. LEVITT. Yes. Levittown, Pa., will be finished next year, which will be a little over 17,000.

The CHAIRMAN. Any questions, gentlemen?

Mr. GAMBLE. Did you say 17,000 in Levittown, Pa.?

Mr. LEVITT. Yes.

Mr. GAMBLE. You have faith in the future, as you have said. Tell us about this new situation you are about to embark upon over in Jersey.

Mr. LEVITT. Well, when we get finished with Levittown, Pa., we are going to build a Levittown in New Jersey, which is across the bridge and about 12, 13, or 14 miles from Camden. We think it will be a nice place. It will be about the same size as this Levittown in Pennsylvania and Levittown, Long Island.

Mr. GAMBLE. What price range will that be?

Mr. LEVITT. There we will have pretty much the same price range. It is a little too early to tell exactly the figures. If we get an abundance of mortgage money and can reduce costs a couple of hundred dollars a house, the price will be down again, but it will be about this price range.

Mr. GAMBLE. About how many units will you build?

Mr. LEVITT. About the same, seventeen to eighteen thousand.

Mr. ASHLEY. What is the price range you are speaking of?

Mr. LEVITT. In Levittown, Pa., from \$10,000 to \$18,500, which is our Country Clubber, but we only have a few of those. The bulk, 95 percent of our houses are priced from ten to twelve thousand dollars.

The CHAIRMAN. Mr. O'Hara, any questions?

Mr. O'HARA. Yes, Mr. Chairman, I would like to make this observation: You will not find too much sympathetic popular response until the private building industry has found homes that it can build and furnish to that great segment of our population that cannot afford to buy homes at the present price. I was interested that you are able to build and sell homes at as low as \$10,000.

Mr. LEVITT. That is right.

Mr. O'HARA. In Chicago it runs very much higher than that, higher in fact than is within the reach, the comfortable reach at least, of at least 30 or 40 percent of our population. Now in the homes that you are building, are they open to all Americans, regardless of race or religion?

Mr. LEVITT. You really pick a ticklish subject now, don't you, Mr. Congressman?

Mr. O'HARA. I would regard it as a pertinent question to a congressional study of our overall housing problem. In Philadelphia 1 out of 4 of the people who live in Philadelphia belong to a minority group. They are as much entitled to good housing as anybody else. Is private industry furnishing them those houses?

Mr. LEVITT. No; private industry is not. Someday I hope they will, and I hope we will be the leaders in it.

Mr. O'HARA. Now the houses you are building, are they open to all Americans?

Mr. LEVITT. Unfortunately, no.

Mr. O'HARA. They are entirely for the white people?

Mr. LEVITT. Yes, and I repeat, I hope someday that will not be so, and I hope we will be the ones who make it not so.

Mr. O'HARA. We just want to get the facts. Now, are they open to householders of advanced years?

Mr. LEVITT. Yes, they are, but then again that has to be qualified.

Mr. O'HARA. I do not know of any place where a man who is 50 or 55 years of age can get a mortgage.

Mr. LEVITT. We have a lot of them, but here is where the trouble comes in, and this, again, is right in your province. FHA and VA both have said that they want their maturity dates to expire at age 70, so if a man comes to us and he is 55 years old, we will sell him a house all right, but he has got to have a mortgage with a 15-year maturity, which means, of course, that his carrying charges are higher, and if the Government would say "We don't care," let FHA and VA say, "Regardless of age, we will guarantee the mortgage at its full term," 25 or 30 years, whatever it happens to be.

Mr. O'HARA. Well, isn't it a fact whereas a number of years ago mortgages were placed on properties based upon the value of the property, the land and the structure, today mortgages are based largely upon the earning capacity of the people who take out the mortgage?

Mr. LEVITT. That is right, there is no question about that.

Mr. O'HARA. Are you advocating that we should pour a lot more money into home construction to make loans easier, without first revising our programs to take care of that large segment that cannot afford to buy at present prices and that very large group of maturing Americans who have passed the prime of their earning years?

Mr. LEVITT. May I answer that, Mr. O'Hara?

Mr. O'HARA. Yes, surely. I am bringing this up because I am sympathetic with these problems.

Mr. LEVITT. I am completely sympathetic with what you say. Let me comment on what you have said for a moment. I think the Government has missed the best bet in the world. If any businessman had ever done what the Government has done, he would have been criticized as being, as we say in plain English, of being a "shmoe."

The Government has FHA, the best moneymaking agency any government in the world ever had. It is the only agency that makes money year in and year out, and when you take the figures for the last 20 years, they have made a fabulous amount of money. You fellows, of course, always kick and won't give them any kind of budget to work with, which is the subject of another controversy, but they are a moneymaking agency. All they have done is make money. They have not lost any money. They have proved for 20 years, and the record is now solid and nobody can dispute it, that whatever they do, they cannot lose money.

Now if that is so, there is no reason why the workings of this agency can't be expanded just a little bit more to guarantee a mortgage whether a man is 55 or 60 or 65, for the 30-year period. We have the figures to show and this is the part that is absolutely incomprehensible, the figures show 20 years of figures that the average mortgage lasts less than 10 years.

All of this talk of 25- and 30-year maturities is strictly indulging in semantics. A mortgage doesn't last more than 10 years. It is refinanced or it is paid off and then we start with a brandnew one all over again. The only thing a long-term mortgage does do, and this is exactly what you are talking about now, is it opens up the field of homeownership to a great many more people who otherwise could not afford it. Now apply that same yardstick to your older people. It is a crime, we get them in, 55 years old, and I am getting so close to that I don't want to feel as though it is old, and we have to say "I am sorry, Mister, you only make \$85 or \$90 a week, you can't afford it."

With your \$90 a week, if you were 35 years old, oh, sure, you have got plenty, but you can't do it because the Government says you have only got a 15-year mortgage and your carrying charges are twice as much in order to get rid of that mortgage in 15 years, when the Government knows and I know and you know that the mortgage is going to be gotten rid of in 10 years, one way or another, either by payoff or refinance.

Mr. O'HARA. Just one more question. I don't want to take too much time because we have a close schedule. You are able to build and sell houses at \$10,000. How many bedrooms in those houses?

Mr. LEVITT. Two bedrooms, with room for two more.

Mr. O'HARA. Why is it you are able to do that in this area and they are not able to do it in the Chicago area?

Mr. LEVITT. Mr. O'Hara, I would love to make this an advertisement for Levitt & Sons, but I think it would be presuming on your time. We are a large organization and we work on a low profit and we work on volume, and we just do it that way.

Mr. GAMBLE. Well, it is mass production and mass purchasing, isn't it?

Mr. LEVITT. That is right, and if we sell a lot of houses, we make some money, and if we don't sell a lot of houses, we are going to lose money. We don't make it on an individual house. We can't.

Mr. O'HARA. That is what I am interested in: Are the builders in the various localities building houses that they can find a market for in their respective communities rather than studying how they can bring down the cost to the level of an ordinary man's pocketbook. In other words, are they building \$16,000 and \$18,000 houses in the

suburbs of Chicago because of the tight housing situation in Chicago and people have no choice but to assume obligations beyond their means instead of endeavoring to find out how they can produce a house at, say, \$10,000?

Mr. LEVITT. Well, I think there are a few people in the building industry that perhaps shouldn't be in it, but I think, by and large, that what you are saying is not quite so. I think they have got costs.

Mr. O'HARA. I am just asking a question. I am not projecting my own conclusions. I am asking for information from you. Are they doing it? In the housing bill of 1949, there was provision for a research department. That was junked later on. Many of us thought that had that remained in the bill and there had been research into all of these matters, we would have ended up by finding some kind of house within the means of all of our people.

Mr. LEVITT. I think the big answer to what you are reaching for, and I have said this for years, is that the housebuilding industry, differing from practically any other industry, has very few companies in it organized on a large businesslike basis. Little by little we are getting more, but by and large, the bulk of the housing in America is built by small little family companies who produce a few houses a year and who must make, not a profit from those houses, but a living from those houses.

That is essentially the trouble with our industry insofar as value to the public is concerned. Someday, little by little, that will be changed. Builders will combine together. They will become larger. We are reaching that stage. There are many more builders in the United States today that produce a thousand houses a year than we ever thought possible.

Mr. O'HARA. Thank you very much. I don't want to cut you short, but I know the chairman is working on a short schedule.

Mr. LEVITT. Thank you for having me here.

The CHAIRMAN. We want to express our appreciation to you, Mr. Levitt, for coming. We hope you will come down and see us again.

The CHAIRMAN. The next witness is Mr. Stewart Rauch, president of the Philadelphia Saving Fund Society.

Come around, Mr. Rauch. We are glad to have you, sir.

Mr. RAUCH. Good morning.

The CHAIRMAN. Have a seat and identify yourself for the record.

Do you have a statement?

Mr. RAUCH. Yes, sir, I do have one, a brief one.

The CHAIRMAN. Do you want to include your statement and speak orally or would you rather read it?

Mr. RAUCH. I thought perhaps it would save some of your time, sir, if I read it.

The CHAIRMAN. We would be glad for you to do that. Do you have extra copies?

Mr. RAUCH. Yes, sir, I do.

The CHAIRMAN. You may proceed, Mr. Rauch.

Mr. RAUCH. Thank you, Mr. Chairman.

**STATEMENT OF R. STEWART RAUCH, JR., PRESIDENT OF THE  
PHILADELPHIA SAVING FUND SOCIETY**

Mr. RAUCH. My name is Stewart Rauch, and I am president of the Philadelphia Saving Fund Society. At PSFS we have a savings account for every third citizen in Philadelphia and the average balance is approximately \$1,200, so that you can see that we are primarily concerned with looking after the savings of people of modest means.

The society will have its 139th anniversary in December, and has been making mortgage loans for nearly 100 years. On September 30 of this year the principal of our mortgage portfolio was \$320 million and consisted largely of loans upon single-family, owner-occupied residential properties located half in the Philadelphia metropolitan area and half in 19 other States.

I have been invited to give you my views on the present mortgage market, credit controls, warehousing of mortgages and the monetary policy now being pursued by the Governors of the Federal Reserve System, as it affects housing.

First, let me turn to the mortgage market. As I have said, we make mortgage loans in approximately 20 States, and we find through our resulting contact with the national market that mortgage money is becoming tight, although here in Philadelphia the shortage has not yet become as acute as we find it is elsewhere. This is possibly due to the fact that there are in the Philadelphia area 3 other mutual savings banks, 3 large mutual life insurance companies and a host of savings and loan associations, all actively making mortgage loans in the local market.

In addition, the New York savings banks and the New York life-insurance companies are active and heavy investors in Philadelphia mortgages.

In the early months of 1955, mortgage money here and elsewhere was in plentiful supply, and it was no problem for builders to obtain 30-year, no downpayment VA mortgages at close to par.

The CHAIRMAN. Now, when was that?

Mr. RAUCH. January and February of this year.

Here in Philadelphia, at the moment, minimum downpayment, 25-year VA money costs the builder a moderate discount, while elsewhere the discount on such loans is somewhat greater. Prime FHA loans in this area are also beginning to shade par, but in many sections of the country where we are active, they are being offered for prices averaging from 2 to 3 points below par. However, even at these prices, there has been a steady demand for funds from our local market, as well as from our out-of-State correspondents. The present tightness of money has resulted, in my opinion, from the simple operation of the laws of supply and demand. No doubt, you have observed the substantial increases which have taken place in the mortgage loan portfolios of commercial banks, life-insurance companies, mutual savings banks and savings and loan associations during 1955. You have also noted, I am sure, the vast increase in installment debt. These increases have absorbed a tremendous amount of money, with the result that the available supply at present is not sufficient to meet a demand which has shown little tendency to slacken.

In our view, the present tightness of money will be a healthy thing for the economy, for it will tend to brake the pace of lending, and

thereby guard against an overexpansion of credit, which could cause this great economic boom to disintegrate.

We find no evidence that this tightness of money has as yet jeopardized the housing industry, and we share the views expressed by our economic advisers that the number of housing starts to be expected in 1956 will be of normal proportions, say possibly 1,200,000. In addition, we hear of such nationwide movements as "Operation Home Improvement" and "Action," the results from which should begin to make themselves felt in 1956 and provide additional stimulation to the housing industry.

Next, as to warehousing. I see no inherent evil in warehousing mortgages, unless it is done in such a way as to overexpand credit at a time when the economy can be thereby seriously harmed. I have not examined closely the warehousing plans which have been set in operation this year by life-insurance companies and others, and I am thus not in a position to comment intelligently with respect to them. My remarks will therefore be confined to the situation in our own bank.

We set up a mortgage warehousing plan a few months ago, its primary purpose being to provide assurance that the society could not be unexpectedly caught between the demands of its depositors and its mortgage loan commitments. Our plan was discussed at length with the secretary of banking of the Commonwealth of Pennsylvania, and it received his approval as a conservative measure designed primarily for the society's protection. We shall use it only for the two purposes for which it was intended: First, as I have said, to minimize the possibility of our being squeezed between the demands of our depositors and our commitments to mortgage brokers; and second, to assure an even flow of mortgages into our mortgage portfolio, to the end that the latter may be maintained at the percentage of total assets which has been fixed by the society's board of managers and which is essential to continuance of the conservative rate of interest now paid on our deposits—2½ percent. Confined to purposes such as these our belief is that mortgage warehousing by saving institutions will not result in an overexpansion of credit.

As to the monetary policies now being pursued by the Federal Reserve authorities, I can only say that we thoroughly subscribe thereto and to the purposes for which they are being exercised. We think that there is no one thing more vital to personal saving, the promotion of which is the sole purpose for our existence, than that the dollars saved should be kept sound. This we believe to be the ultimate objective of Federal Reserve policy, and having closely observed the methods by which that policy has been implemented since 1951, and the results so far obtained, we regard them as basically sound and as calculated to regulate the pace of our economy appropriately and to stabilize the purchasing value of the dollar to the greatest extent possible through the use of credit controls.

Mr. Chairman, that completes the formal statement.

The CHAIRMAN. Thank you, Mr. Rauch.

Just one question: If the mortgage restrictions that have been put down, if they should result in a curtailment of the housing program in such percentage as Mr. Levitt seems to think it will, 25 percent, you would think that would be a little extra cut; wouldn't you?

Mr. RAUCH. Yes, sir; I would.

The CHAIRMAN. You would believe—you say it would be 1,250,000 next year—you think there should be a million housing starts, I should think, as a minimum?

Mr. RAUCH. Yes.

The CHAIRMAN. Just to meet the barest needs of the people?

Mr. RAUCH. Yes. I think in that connection, Mr. Chairman, it is important to have in mind these programs that are coming along for urban redevelopment. If the housing starts drop off from their present recordbreaking or near record levels, but if some of the people in the housing industry undertaking construction are switched over to doing repair and rehabilitation work, it seems that that will help maintain a healthy economy; continue to pump wages out and will also have a very significant effect in cities such as Philadelphia.

The CHAIRMAN. Of course that is an urgent need, but traveling around as we are and living with the problem so long and seeing so many people without—not adequate shelter but without decent shelter, gives me the idea that something more ought to be done than just repair the ones we have.

There are still so many people without the homes they need. Don't you agree?

Mr. RAUCH. I agree with that a hundred percent.

Mr. GAMBLE. In rehabilitating old houses, isn't Philadelphia a bit unique in that you have a lot of old houses but they are very, very substantial or were very, very substantially built so that you can remodel them and refurbish them, more than you can in many cities.

Mr. RAUCH. Yes, sir; I think that is correct. Perhaps one reason I took the initiative in bringing that up, Mr. Chairman, is that I am also a member of the city planning commission here in Philadelphia and we have been vitally concerned with this spreading blight, and as a member of the commission, as well as being in the banking industry, we have been following with great interest the progress under sections 220 and 221 toward trying to get some of these areas rehabilitated, and I think that Philadelphia has a unique opportunity in that respect for just the reason that you mentioned, sir, that the houses, the shells of the houses are basically sound, and a great deal can be done to preserve their attractiveness and the atmosphere by remodeling them in the interior.

Mr. GAMBLE. You say on page 1 as to the tight money market that it is not as tight here as it is in some other places because you have savings banks and mutual savings, and so forth, and then you say in addition the large life-insurance companies and savings banks in New York City are heavy investors in Philadelphia mortgages.

Are they investing it now here at the present time?

Mr. RAUCH. Yes, sir.

Mr. GAMBLE. Well, why is it they would invest here at the present time when they won't make mortgages in New York City?

Mr. RAUCH. Perhaps there is a case of the grass looking greener on the other side of the fence, but seriously, I think one reason for it is—and I think I should confine my remarks to the savings-bank industry because that is what I am familiar with—many savings bankers prefer to take residential mortgages on medium-cost houses so that they spread their risk rather than taking large loans on apartment houses and office buildings. I think there is much less residential construction in the city of New York than there is down here.



Mr. GAMBLE. Yes; that is true.

Mr. RAUCH. Another reason is that historically the New York savings banks have always been active down here and that goes back to the days when they were trying to get geographical location but weren't allowed to go to the Southwest or Far West. They are familiar with this market and they have mortgages sources set up so that they have continued very active down here, even after they got the power to go to the Southwest and Far West.

Mr. GAMBLE. Thank you.

The CHAIRMAN. I will ask you one concluding question: You heard Mr. Levitt testify a moment ago; didn't you?

Mr. RAUCH. Just the end of his testimony, sir.

The CHAIRMAN. He made a statement that the credit curbs we have been talking about, which is the higher downpayment shorter mortgage terms would have vitally affected 35 percent of the people for whom he is now building houses under the present terms before the restrictions were on, in the price range of 10 to 12 thousand dollars.

The simple truth is that the people these credit restrictions will hurt will be those people in the lower-income brackets, won't it, in getting homes?

Mr. RAUCH. Yes.

The CHAIRMAN. Thank you, Mr. Rauch, for coming, and we appreciate your statement.

Mr. RAUCH. Thank you very much for inviting me.

The CHAIRMAN. The next witness is Mr. Arthur W. Binns, past president, Philadelphia Real Estate Board.

Come around, Mr. Binns.

We are glad to see you.

Mr. GAMBLE. We have seen you before in Washington.

The CHAIRMAN. Mr. Binns has been before our committee many times in Washington, and we have him on our witness list today to discuss housing in the Philadelphia market.

Do you have a statement or do you want to talk off the cuff?

Mr. BINNS. I would like to talk off the cuff, and I was interested in seeing what I could contribute in a local way.

The CHAIRMAN. Well, you have a vast experience, and we will be interested in hearing what the situation is on the credit market and what the outlook is in housing.

Mr. BINNS. You are concerned primarily with low-rent housing?

The CHAIRMAN. We are concerned with the whole general field, but knowing your field, I assume you are concerned with the building of single-home units and all of that, isn't that correct?

Mr. BINNS. Yes, and apartments, and also pretty much across the board in the whole field.

#### STATEMENT OF ARTHUR W. BINNS, PAST PRESIDENT, PHILADELPHIA REAL ESTATE BOARD

Mr. BINNS. Answering the first question as to the credit situation, I would say that generally the credit situation is very satisfactory. Money has been available right along in adequate amounts for all sound ventures. If there has been any criticism at all, I would say it was a little bit too available. It has been very loose.

Now, in the last 90 days we have gotten into a frightful jam with FHA and GI mortgages, especially what we call the 0 for 30, meaning no downpayment, 30 years. It is available only for veterans. It isn't available in any other field, and the discounts have been steadily mounting until there are some records of some GI sales as low as 92, which, of course, is absolutely impossible. You can't work with such a discount.

What the long-range reasons for this sudden drying up of mortgage money for FHA and GI is, I don't know. It is said to be something about the credit policies of the Government, but there has been temporary constriction.

Now, we have one job that has run 2 years, and in this single operation, 150 houses, we have gone through 2 complete cycles.

First, where they were paying us a point for the money, back to where we were paying, back to where we were getting, and now down to where we are paying 1 or 2 points, so that the mortgage money market for GI's and FHA's is frightfully erratic and is discouraging to the builder.

But as the great broad general credit situation goes and as far as conventional loans, I say money was in ample supply over the broad general picture.

Now, there are tight spots.

Mr. BARRETT. May I ask you a question I think you are qualified to answer?

Some of the building and loans are complaining they are getting a number of houses on foreclosure because the people are not meeting their obligations. Do you think this is caused by no downpayments?

Mr. BINNS. I have had no samples of that kind of experience, and in our developments I might have contact with 5,000 units personally, directly or indirectly, and know something about them.

I have seen no occasion of that sort whatsoever, and the losses in GI loans with 100 percent mortgages and 30-year terms have been perfectly amazingly small, a tiny fraction of 1 percent, and when they occur in most cases they can be immediately resold at at least as much money as they originally had. There may be some such thing. I haven't seen it.

The CHAIRMAN. We are thinking of the housing picture for next year. Let's project the present credit curbs and restrictions of higher downpayments and shorter terms that have been put down. Let's project that into the housing picture for next year, and I assume that builders like you must be making plans soon for what you will be doing next year.

What is going to be the result of the recently enacted credit restrictions on home building next year, 1956?

Mr. BINNS. Sir, I don't know that my colleagues would agree with me, but my answer personally would be wholesome.

The CHAIRMAN. Do you believe that you will be able with these restrictions, considering the fact that you have cut out a lot of the lower-income people who can buy the cheaper houses, do you believe that you will be able to attain 1,200,000 units next year?

Mr. BINNS. I would tend to think that it might dampen that a little, slow it down, but I would also think it might be in the interest of sounder overall economy.

The CHAIRMAN. I am interested in that. It is difficult for me to understand how anything could be in the interest of sound overall economy when there are so many people still wanting houses. You don't have any difficulty selling houses, do you?

Mr. BINNS. We do, sir. We have lots of trouble.

The CHAIRMAN. In what price range?

Mr. BINNS. Under \$15,000.

The CHAIRMAN. What is the trouble; they want the houses but don't have the money to get them?

Mr. BINNS. They are just not buyers. The market is saturated. We have one development in Wilmington, a little south of Wilmington, Del., in the middle of one of the greatest and most rapidly expanding industrial areas in this Nation, and we have had houses standing as much as 6 months, unable to sell them.

The CHAIRMAN. Let's you and I get together and see what you mean by "saturation." You are not telling the committee you have more houses there than the people need?

Mr. BINNS. I am saying precisely that.

The CHAIRMAN. That you have built more houses than they need?

Mr. BINNS. At the moment.

The CHAIRMAN. Is the need based on the ability to pay or just no families to go in them?

Mr. BINNS. If you give them away, you can always give more.

The CHAIRMAN. I don't mean that.

Mr. BINNS. I mean under reasonable terms.

The CHAIRMAN. You realize if the housing market is saturated and everybody has all of the houses they need, we should repeal FHA and GI; do you agree with that?

Mr. BINNS. No.

The CHAIRMAN. Let's get the facts, then.

Mr. BINNS. I say, we have a rapidly expanding population; we have a rapidly expanding demand. In almost every case that I know anything about, after awhile, a few months, the demand appears adequate to mop up the supply, but in nearly all of the developments that I am familiar with, the rate of sales has tremendously decreased in recent months. In other words, the point at which the supply equals the demand is much closer now than it was 2 or 3 years ago. Two or three years ago if you had a development, you would have it all sold before you had your sample house up. Today we will complete a development and wait months before we complete the liquidation of the houses.

The CHAIRMAN. Of course I am not talking of the same situation we had after World War II when everybody came home without any house and when we built them helter-skelter everywhere. I am talking about a present expanding market as you say with an increase year after year in population.

Mr. BINNS. Yes.

The CHAIRMAN. And I am trying to find out from you whether or not the curtailment or the so-called saturation in your mind is brought about by lack of reachable mortgage credit or whether it is brought about by the lack of need for the houses on the part of the people.

Mr. BINNS. There is certainly need for a million houses, maybe 1,100,000 houses. There is certainly no need for 2 million houses a

year. Somewhere in there is the point at which the flow of demand equals the flow of supply.

The CHAIRMAN. You wouldn't want to see the houses fall off under a million, would you?

Mr. BINNS. Certainly not. I wouldn't want to see them fall over 1,100,000 or 1,150,000 or maybe 1,200,000, but I don't see a need to expand to 2 million. In other words, it is somewhere in this range, and we are not too far from it at the present time.

Mr. BARRETT. Mr. Binns, I was always taught there was no such thing as overproduction. It is underconsumption that causes the overproduction, and the overproduction is caused by the lack of sufficient income.

In other words, if we give those families who desire and need a home of the type you are speaking of, they would buy them.

Mr. BINNS. That is correct, and that to an amazing extent has been done. In one development of ours in West Philadelphia in a not too good Negro area we recently made a canvass of the income per family, and the lowest income per family in the whole development was well over \$100 a week, and that is in very low rent stuff.

Now, the rise in earning power of the low income families, at least in the industrial areas in the North has been phenomenal in recent years.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. No questions.

The CHAIRMAN. Mr. Gamble.

Mr. GAMBLE. Is this lack of sales and difficulty of sales spotty throughout the United States; in other words, in places; some places overbuilt; some places underbuilt still; some places still need houses?

Mr. BINNS. I don't know that I am an expert in that, but my friends in California tell me they can't begin to meet the supply in some sections of California.

Mr. GAMBLE. Now, where you are having difficulty in making sales, is that because of lack of money?

Mr. BINNS. Any factor which increases sales resistance is a contributing factor, and one of them is lack of money.

Mr. GAMBLE. Well, is there potential population to absorb these houses in these particular locations?

Mr. BINNS. Yes, they are all sold now, every one of them, but it took us months to do it.

I am simply indicating that it looks to me as though the point of supply equaling demand wasn't too far off.

Mr. BARRETT. Mr. Binns, in what area are you speaking of now, where these number of units weren't rapidly purchased?

Mr. BINNS. They were actually at Newark, Del.

Mr. BARRETT. What industries do they have contiguous?

Mr. BINNS. For heaven's sake, they have everything. The big Chrysler plant is right next door to it. The largest tank plant in the world. Tidewater Oil Co. is now building a refinery that I think will be the largest refinery in the world.

Shell Oil people have just started.

DuPont has moved half of their office buildings from Wilmington down there, and it is the heel or the toe of what we call the Delaware Valley, Inc.

Mr. BARRETT. At the time the units were built, was industry in full swing?

Mr. BINNS. We had a little slack. Tidewater was shut down.

Mr. BARRETT. Is this lag in the purchasing of homes due to lack of employment?

Mr. BINNS. Here is a little town of 5,000 people population, and over 3,000 new houses built in the area. Now, it just takes a little while for 3,000 houses to be absorbed.

Mr. BARRETT. Relative to the California situation you just mentioned, is migration the cause for the need for homes out there?

Mr. BINNS. Yes.

Mr. BARRETT. Of course the small population accounts for the lack of need for purchasing homes there.

Mr. BINNS. I would certainly hope nothing would happen to the FHA or GI program, and I think we ought to go ahead full of faith and confidence, but I just say that personally I think a light foot on the brake isn't going to do too much harm. Perhaps every other builder would disagree with me, but that is the way I feel.

I want to say something about low-cost housing, if I can.

Mr. BARRETT. Just one question.

Does this light foot or light touch cause any cutback in industry or employment?

Mr. BINNS. Again I am not qualified, but I suppose if it would stop any building construction, it would reduce employment. If it would be reflected in heavy industry, I don't know.

If I may, Mr. Chairman, I would like to say something about the whole question of low-cost housing.

I saw in the paper yesterday that you had discussed that, slums, and so forth.

That has been my great interest through the years, and since the various agencies of Government passed a death sentence on private enterprise in the field of low-cost housing, we have seen a very rapid reduction in the number of rental housing at what we call low rents.

Now, low rents, we will say, is under \$50 a month, something like that. Obviously, no private enterprise can compete with tax-free 100 percent Government subsidized housing across the street.

The CHAIRMAN. No private enterprise can compete for building houses for people who don't have the money with which to pay a rent that will pay a fair return on private enterprise development. I agree on that, but not beyond that.

Mr. BINNS. How, sir, was it done through the years before we ever heard of public housing?

The CHAIRMAN. How is that?

Mr. BINNS. How was it done for years and years before we ever heard of public housing?

The CHAIRMAN. Well, in my country they lived in shacks, in dumps. I don't know how it is any place else, but that is where they lived in my country.

Mr. BINNS. Didn't the mayor say they still live in shacks and dumps yesterday?

Mr. BARRETT. May I interpose this?

Right here in Philadelphia before we obtained public housing, 4 and 5 families were living in a 1-family home.

Mr. BINNS. I understood the mayor said yesterday they are still doing it.

Mr. BABBETT. I would say they are because the population has increased, and hence the need for public housing.

Mr. BINNS. I do not know of a single rental housing unit built by private enterprise, a single house, renting for under \$50 a month in the last 10 years. We, for instance, were largely in the rental-housing business. We have retired from it entirely. Everybody else has retired from it as far as I know. You cannot live with a rental control that freezes rent for 13 years and with taxes up perhaps 30 to 50 percent, and with expenses of operation doubled. Now, there is just such a thing as sanity. If you want to destroy the supply of rental housing, you are on a beautiful program to do it, and public housing, which is expanding with 10- and 15-story elevator buildings, all over the place, and which is 100 percent subsidized as to rent, maybe 80 percent as to taxes, there is no possibility of any private enterprise, and what happens is, of course, that for every 1 public unit, there are 10 private units discontinued, so you take 1 step forward and 10 back, and your condition constantly gets worse.

Now, you asked a very pertinent question. You said that private enterprise cannot build for low-rent housing, and that is correct, it cannot build new houses, but what it can do is just what you were emphasizing a minute ago, build a vast number of new houses for people that can afford it.

Now, what happens is that people in lower houses, second- and third-hand houses, move to those new houses. The old houses which are perfectly good and sound and in no sense shacks are available and by a step-up process by which the depreciation is washed off in a sort of corporate policy, a corporate growth, the housing health of the entire community steadily comes up if left alone, but when you have a death sentence against it, then you reverse that cycle and you feed from the bottom up and your condition constantly gets worse.

Now, that is a fact. That is not a theory. I have stood and watched it.

The CHAIRMAN. Mr. Binns, I have regarded that as a trickle-down theory.

Mr. BINNS. All right, call it down.

The CHAIRMAN. I can't quite see the logic of it, but I don't want to argue. I have had you before the committee before. You and I know one another's viewpoint, and the committee does. We appreciate your viewpoint, but I don't see how that will be the answer to the slums in Philadelphia.

Mr. BINNS. It isn't a viewpoint, it is what I have seen happen.

Mr. GAMBLE. Well, didn't you have plans along those lines 2 or 3 years ago?

Mr. BINNS. We did thousands along that line.

Mr. GAMBLE. You testified as I remember before Banking and Currency on what you thought could be done.

Mr. BINNS. Yes.

Mr. GAMBLE. And you did go ahead.

Mr. BINNS. Until we were shut down and we can't function any more.

Mr. GAMBLE. Is that on account of rent control?

Mr. BINNS. Rent control and public housing. In other words, we are now socializing our whole housing picture. We have exiled private enterprise and you are now moving toward France and England in the same particular area.

The CHAIRMAN. You think VA guaranties and FHA are socialism?

Mr. BINNS. I don't think so.

The CHAIRMAN. In other words, it all depends on the attitude of the fellow involved.

Mr. BINNS. If I am getting something out of it; it is all right.

Mr. BARRETT. Now, we have a great deal of respect for Arthur Binns, and I think the people in Philadelphia have, too, and I think you know rent control has done a tremendous job to protect those people who are desirous of low-rent housing. I know of a hundred cases I can put my finger on, and probably you know of thousands, where if we didn't have some sort of controls, those poor people, Negroes and people in the minority groups would have paid more for the low-rent homes than some of the people would have paid for the palatial homes.

Now, how could we protect them?

Mr. BINNS. You never heard my voice raised against rent control when there was an excess of demand over supply.

Now, when we have a 4 or 5 percent vacancy throughout the city, the situation is completely different.

It is possible for a national economic determination of rents. If a person doesn't like it, they can move some place else, and the landlord will be empty. You have now an excess of supply over demand, and the situation is entirely different.

Mr. BARRETT. I can't find that supply over demand. I have been looking for it for some time, and I have been dealing with these people, helping them to locate elsewhere.

Mr. BINNS. We had a loss of something like 40,000 that we presented to J. Smith at the time the local rent control was declared unconstitutional. You can't find something that is worth \$100 for \$20, but you can find something that is worth \$25 for \$25.

Mr. BARRETT. I will tell you what we find: Locations where there are 2 or 3 chairs put in and people saying, "We will rent it to you as being furnished."

Mr. BINNS. Every trick and every fraud in the trade has been practiced. There is no question about that.

The CHAIRMAN. Mr. O'Hara, do you have any questions?

Mr. O'HARA. Mr. Binns, are you providing housing for the Negro group?

Mr. BINNS. Mainly, our low-cost field is the Negro group. We have over 3,000 that we have set up in one form or another for Negro families.

Mr. O'HARA. Well, is that a district entirely for Negroes?

Mr. BINNS. We don't have tight segregation in Philadelphia, but we have broad general Negro areas and most of these happen to be in the great Negro area of West Philadelphia.

Mr. O'HARA. Well, let me understand. The 3,000 that you are providing, is that in an area where practically all of the people are Negroes?

Mr. BINNS. 95 percent.

Mr. O'HARA. Now, I was rather surprised to find in New York and in Philadelphia here that in many of the new areas it is impossible for a Negro family to have his application favorably acted upon.

Mr. BINNS. I believe that is true.

Mr. O'HARA. And in Philadelphia, 1 out of 4 of the families are Negroes, 25 percent of the population.

Mr. BINNS. You probably are more accurately informed than I am, but that seems about right.

Mr. O'HARA. Now, what would you say the percentage in Philadelphia is of families of incomes less than \$5,000 a year?

Mr. BINNS. It would be very high, maybe 85 percent.

Mr. O'HARA. Now, are you providing housing within the means of families in that group?

Mr. BINNS. Yes; I think we could comfortably provide housing for families as low as \$2,500 or maybe \$2,000 a year, through old houses. Now we can't build any houses. There is no possibility of building new houses, not at today's \$3 and \$4 an hour trade rates, but we can get an old house, good masonry house, thoroughly renovated, new facilities, and maybe sell it for \$3,000 to \$4,000.

Mr. O'HARA. How many houses in Philadelphia can you repair and sell at \$3,000; as many as a thousand?

Mr. BINNS. Oh, my gracious, I was going to say 50 percent of the half-million. That may be high. The last figures I saw was there was something like a half-million separate homes. This is the city of homes. I would say fully half of those were structurally sound, good houses, and I would say perhaps half of those could be sold under \$5,000.

Mr. O'HARA. Well, take a structurally sound home; it is old and it needs repairing and modernization; how much would that cost to make it comfortably livable?

Mr. BINNS. Well, it would cost about three times as much as it used to.

Mr. O'HARA. In dollars and cents.

Mr. BINNS. It depends on the condition of the house, but \$1,000 to \$1,500 will usually put an old house in pretty fair shape.

Mr. O'HARA. And then a house put in good shape would be open to anybody who wanted to purchase it, whether he was Negro, Caucasian, or what he was?

Mr. BINNS. Let me understand that question.

Are you saying that we would put into any area a Negro or a white family if that family qualified? Is that what you are asking me, when you say open to anybody?

Mr. O'HARA. My basis of qualification is character, habits, all of that sort of thing. It doesn't go to the color and race and all that sort of thing. Is he a good man? Does he obey the law? Does he respect his God?

Now, if a man of that high character wants a home and circumstances within his financial means, can he find it in Philadelphia?

Mr. BINNS. Yes; the answer to that question is "Yes." I am glad you didn't ask me the first one.

Mr. O'HARA. Yet the people who have the responsibility here in Philadelphia of relocation come before this committee and tell us it is a problem they can't handle. They tell us in New York it is so bad



they sort of bribe them. They give them \$500 or \$1,000 to relocate themselves.

Mr. BINNS. I, sir, do not know of that condition. It may exist. I have never seen it. As far as we are concerned, in our 30 years of practice, we have never had a responsible, decent Negro judged on the basis of the character which you have outlined that we couldn't place in a good home at a good value in a convenient neighborhood. I don't think that is typical of many cities. However, I only can tell you my personal experience.

Mr. O'HARA. You, as I understand, are very strongly opposed to public housing.

Mr. BINNS. I am.

Mr. O'HARA. And rather than build public housing, would you put on the streets people who are not able to buy or to rent such private housing as is available?

Mr. BINNS. It is my belief that public housing is putting people on the streets because it is drying up the total supply.

Mr. GAMBLE. You say it is putting them on the streets?

Mr. BINNS. Yes; it is drying up the total supply. To whatever degree there are such conditions as you refer to, which are greatly exaggerated in all of the press statements I see, it is the product of the diminution and disappearance of private enterprise in the field because of public enterprise.

Mr. O'HARA. I believe you are having in Philadelphia now a drive for the community chest.

Mr. BINNS. That's right.

Mr. O'HARA. I have seen these placards, and I thought they were very forceful. Here is a man carrying another man, and the slogan is, "The load isn't heavy. He is my brother."

Now, do you subscribe to that philosophy?

Mr. BINNS. I do, and I certainly don't take second place to you or anybody else in that position.

Mr. O'HARA. Do you agree that up to this time private housing has not brought housing within the means of many people?

Mr. BINNS. You can always give money away. If you can show me that public housing would provide an overall solution to our problem, I would be for it. I believe it is a destructive process that is not increasing but decreasing the total overall supply, and I believe it is a spiral which ends in complete failure, and I can take you to England or France and show you what has happened. Public housing is a parasite. It sucks at the veins of taxpaying enterprise. Now, a parasite can only suck so much blood out of the thing that it lives on before that thing dies. Now, sooner or later the source is going to disappear.

Mr. O'HARA. Now, in France there was a revolution. There were those in a position of affluence who thought that to give a little something to the people underneath was a little bad. Now, are you taking the position of the nobility before that French Revolution? Are you taking the position that anything is destructive that broadens the horizons of those below our economic status?

Mr. BINNS. I think your premise is completely unsound. It has no bearing on the matter before us at all. I am interested in getting a supply of housing, and I say that the way to do it is a sound productive way rather than a restrictive way.

Mr. O'HARA. While you are quarreling over technique and procedures, I am thinking of the humans that need housing and have not the means to buy or rent that which now is available. Let's get to them.

Mr. BINNS. That is the foundation of my position. One more thing and I will shut up.

About rent control, in 13 years we haven't been able to get through any rent-control board one single rent increase while our costs have doubled, and taxes by reason of inflation and whatnot have increased about 30 percent. We have tried many, many times. Now, in all honesty, do you think that that would promote development in rental housing business?

The CHAIRMAN. Of course what you are talking about is not Federal rent control. That was repealed in 1953.

Mr. BINNS. Partly. We were under Federal rent control until repeal. I am talking about from 1942 on.

The CHAIRMAN. That was in the past. Do you have rent control in the city of Philadelphia now?

Mr. BINNS. Yes.

The CHAIRMAN. Not by the Federal Government.

Mr. BINNS. Incidentally, where rent control has been eliminated in the surrounding counties rents have decreased.

Mr. GAMBLE. Is that under a State law or city law?

Mr. BINNS. City law, where the city ceases the power to take property; totally unconstitutional, and delights in it.

Mr. BARETT. I don't think that is altogether right. Federal control gave you a fair net operating revenue. The city rent control now gives any owner an opportunity to recap any investments, any expenditures he makes for repairs.

Mr. BINNS. Try to get it.

Mr. BARRETT. And if he didn't do that, there would be a tremendous gouging going on in the low-rent housing category. Now, certainly somebody has to be fair in these situations.

The CHAIRMAN. Yes, Mr. Ashley?

Mr. ASHLEY. You say that the slum picture in Philadelphia is greatly exaggerated. I wonder if you have seen the map that was made available to the committee yesterday.

Mr. BINNS. I saw it in the paper this morning.

Mr. ASHLEY. I wonder what percentage of your low-rent housing activity takes place in the areas which the mayor has designated as slums?

Mr. BINNS. I don't know.

Mr. ASHLEY. You don't know that at all?

Mr. BINNS. I don't have that information at all. I know our public housing friends have a habit of taking a terrible old house and saying, "This is typical of everything." It isn't typical at all. The average housing in Philadelphia is very good.

Mr. ASHLEY. Just to get the terminology straight, when you say the public housing advocates, you mean those people that support 35,000 public housing units a year out of a total of 1,200,000 new housing starts, is that right?

Mr. BINNS. Well, you are talking about two different things. We are not discussing at all new houses in suburban areas. We are talking about slum clearance, low-cost housing in the city areas.

In that field there are no new starts, nobody whatever. You can't show me one single private enterprise in that field in the entire area of Philadelphia, and I don't think you can show a dozen in the United States. It is out of the market. Private enterprise is finished.

Mr. ASHLEY. Well, you are finished in that area. There may not be new housing starts but there are people who are interested in renovation in areas that need it.

Mr. BINNS. Maybe 5 or 10 percent that were formerly.

Mr. ASHLEY. Do you believe, Mr. Binns, just as a final question, that a stable economy is predicated and is inseparable from an expanding economy?

Mr. BINNS. No, I don't.

Mr. ASHLEY. You think it is possible to have an economy that floats along on an absolutely even keel despite the fact that you have almost a million new workers a year coming into the labor market?

Mr. BINNS. No, I don't. I think you have either got to fly this airplane pretty fast or it will crash.

Mr. ASHLEY. Then you do believe in an expanding economy?

Mr. BINNS. Absolutely.

Mr. ASHLEY. For how many years do you think we could go along with a million new housing starts a year and have an expanding economy?

Mr. BINNS. I think we ought to step it up year after year.

Mr. ASHLEY. You think we ought to step it up?

Mr. BINNS. Yes. I don't say anything about a long-term process. I was talking about this situation right here for 90 days and right at the moment.

Mr. ASHLEY. You weren't talking about 90 days when you said we should stay away from 2 million new housing starts a year?

Mr. BINNS. Let's be reasonable. What I mean is that right at the moment that perhaps there may be a little tendency to overbuild, a little tendency to too much growth too rapidly, and it may not be wrong to slow it down just a little, but as far as flattening that curve out with a country that is growing at the rate of ours, with the vast increase, that would be insane. We have to move up. Maybe we will be building 2 million by the year 2000. I am not wise enough to know, but I do know that only by the dynamics of motion, only by the rapid growth and expanding economy, can we possibly maintain prosperity, and there is no question about that in my mind.

Mr. ASHLEY. That is fine.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Binns.

Mr. BINNS. There must be some things we agree on.

The CHAIRMAN. We always enjoy having you before our committee. We don't always agree with you, but you help us to shape legislation, and we appreciate you taking your time to appear.

Mr. BINNS. Maybe I can cast a little light on the other side of the figure.

The CHAIRMAN. You ought to be a lawyer instead of a builder.

Thank you very much for coming.

The committee is going to stand in recess for 5 minutes while we stretch our legs.

(Short recess taken.)

The CHAIRMAN. The committee will please be in order.

The next witness is Joseph Aylsworth.

We are glad to have you, Mr. Aylsworth. I see here you are in the mortgage business, and we want you to discuss the housing credit and the mortgage market.

Do you have a statement?

Mr. AYLSWORTH. Yes.

The CHAIRMAN. We would be glad to have you read the statement or comment on it, either one you desire.

Mr. AYLSWORTH. I was told that you wanted me to cover primarily three points and they are, one, the effect of any of the new regulations on the FHA and VA mortgages, the second, the availability of funds, and third, the question as to whether or not in our opinion the area is being overbuilt.

Mr. CHAIRMAN. That is right.

#### STATEMENT OF JOSEPH AYLSWORTH, MORTGAGE ASSOCIATES, PHILADELPHIA, PA.

Mr. AYLSWORTH. In arriving at my thoughts I have contacted most of the mortgage companies in Philadelphia. I have talked this over with the heads of each, and what I have to say is pretty much the cross section of their opinions, and I might say that in most cases everyone was pretty much in agreement.

Our first question was the effect of the new regulations and, being more or less in the residential mortgage business, I assumed that you were referring primarily to the increase in the downpayment requirements on FHA and VA loans.

The CHAIRMAN. That is correct.

Mr. AYLSWORTH. Of approximately 2 percent, and the shortening of the term from 30 to 25 years.

The CHAIRMAN. Right.

Mr. AYLSWORTH. Now, it was pretty much the consensus of opinion that at the present time this change in the regulations had in no way affected the market.

Now, this is primarily because of the shortage of money and because of the fact that as money became tight, most of your investors, such as life-insurance companies, mutual savings banks, and other types of investors, had already begun to cut back and became more discriminatory in their demands and were requiring mortgages of 5 or 10 percent down and on shorter terms.

The CHAIRMAN. Well, before you get into your statement, then I will ask this question:

You say it was because of the general tightening of the market and not the regulations?

Mr. AYLSWORTH. That's right.

The CHAIRMAN. Well, what tightened the mortgage market?

Mr. AYLSWORTH. I would say the general Government policy on the tightening of credit with the banks.

The CHAIRMAN. The new discount rates of Federal Reserve that went into effect that had its effect on the market?

Mr. AYLSWORTH. Yes; and the pushing down of your Government bonds on the market and all of those things tended to cause this tightening.

The CHAIRMAN. Failure to support Government bonds at par, lowering the discount rates, and so on?

Mr. AYLSWORTH. That's right.

The CHAIRMAN. All right; you may go ahead with your statement.

Mr. AYLSWORTH. I find that the majority of the companies feel that should money become free and easy again, as it was a short while ago, that unquestionably the change in your regulations would have some effect on the volume of mortgage loans and return on the sale of houses. They felt, however, that your biggest effect would be by reason of the shortening of the term rather than the 2-percent downpayment requirement.

If you take a \$10,000 mortgage and you reduce its term from 30 to 25 years, it makes a difference of about \$5 per month in the monthly payment, and that means the borrower has to earn about \$30 or \$40 more a month in order to carry that loan. That is where it will have its greatest effect.

Most of your mortgage companies are of the opinion, however, that we would have a better mortgage setup if some downpayment were required, and most of them seem to feel that a 5-percent down, 25-year loan, should be maximum.

Now, that is from their own personal standpoint and probably the ease in placing such loans might influence their judgment.

I know from our own experience, and I know this has been confirmed by others, that on your 30-year, no-downpayment mortgage, which we have had up to recently, unquestionably the credit picture of the borrower was a lot weaker than when you had even a very small down payment.

It seemed that if the man could put a 5-percent downpayment on a mortgage, his credit picture was far superior to the man who could not. His job was better. He had been working more steadily. He had a little something in the bank, and he didn't seem to have the loans and so on down the line.

The CHAIRMAN. That is the man who put the downpayment?

Mr. AYLSWORTH. A small downpayment.

It didn't seem to matter how much as long as there was some. He seemed to have a better picture. When you came to a 30-year, no downpayment, you were in effect scraping the bottom of the barrel, and a lot of people were buying financing rather than housing.

The CHAIRMAN. Of course, as a mortgage banker, Mr. Aylsworth, you naturally have a little different viewpoint from what you would have if you were sitting up here as a Member of Congress. I am sure each of us is aware of that. Therefore, this comes to mind when you say that: The people we are trying to get to in this country, the Congress, and the people generally, is that fellow who maybe doesn't have that good credit picture you are talking about, and then I ask you this: Among those 30-year, no downpayments there has been a very very small ratio of those who have failed to pay; isn't that correct?

Mr. AYLSWORTH. That is true; our delinquency record and everybody's delinquency record so far has been exceptionally small. You will find it will run nationally between 1 and 2 percent, which is a very small percentage, and that fluctuates because in those figures they will take a 30-day delinquent and throw that in there. In our company we consider 30 days or longer as delinquents. That can

fluctuate because you may have a group that for some reason or other are late 1 month and then up to date.

The CHAIRMAN. It is your feeling that the increase in the amount of carrying charges per month will be reflected more in the ability to buy than would be the small percentage of down payment?

Mr. AYLSWORTH. Yes, sir.

The CHAIRMAN. All right; go ahead with your statement.

Mr. AYLSWORTH. Along with that, only 1 company reported they had any difficulty on 30-year, no-downpayment loans, and they were one that financed several large minority housing developments, and they were having considerably difficulty.

This was not 2 or 4 percent but way up; he mentioned pretty nearly as high as 18 percent.

Mr. BARRETT. Is it your opinion, Mr. Aylsworth, that if a person doesn't have a downpayment, he is more likely to walk away from his obligations?

Mr. AYLSWORTH. No, sir; it is not, because certainly our experience over the past years has not shown that. I have been a little bit on both sides of this fence in the sense that I have originated mortgages and I have also at times been purely in a brokerage capacity trying to sell them. And you use different arguments on each side. People have said even with FHA a 10-percent downpayment as we used to have, that is not enough. But experience has shown if a person is the right type of individual, even with no downpayment, he seems to appreciate that is his home and he protects it and in most cases if you follow up in later years, you will find even though he has put no money in it in the beginning, he has made lots of improvements to the house. I think it goes to the point as to whether or not the man is the right type of individual, so I wouldn't say that, but I do say that so often the man that wants the no downpayment loan is the man of the weaker credit.

Mr. BARRETT. Would you say this: Even though you consider him a man of weaker credit, it would give him a better opportunity to increase his standard of living by taking the little savings he has in order to buy furniture and appliances necessary to elevate his standard of living?

Mr. AYLSWORTH. I have got to agree with you there, that is right, but it still goes back to the fact that a lot of individuals that have taken advantage of this, even though they didn't put any money in the property, they must still go out and buy a lot of things that perhaps they shouldn't, and build up their credit.

Mr. BARRETT. You have probably heard it said here that most of the loans or a great portion of them are paid off in about a 10-year period.

Mr. AYLSWORTH. That is correct.

Mr. BARRETT. Can you differentiate between the man who has a downpayment and the man who does not have a downpayment as to what number of years he cancels out his obligation?

Mr. AYLSWORTH. No, sir; I have no figures on that.

The next point that I wanted to cover was the availability of mortgage money, and I think that that can be broken down into four categories:

1. the availability of money for the so-called spot loans which would be the FHA or GI mortgages on individually used houses, scattered,

and we designate from spot loans to a housing development where you might have 50 houses in a row, and you would get 50 mortgages.

2. The financing on a large housing development.
3. The construction money.
4. Warehousing.

Now, the companies were fairly unanimous that the market for the so-called spot loans is pretty nearly nonexistent.

Now, out of the group contacted there were two companies which stated they had some market for the so-called spot loans. In both instances these companies represented exclusively specific insurance companies that were still in the market. One company represents one of the large companies, and that is their only source. However, they are taking all they can give them.

The other company represents four smaller life-insurance companies, which are all taking them on a somewhat conservative basis, but they are taking them.

The balance of the companies admit that they have actually no market for the so-called spot loans today.

Now, it is true that you will find they will sell one from time to time, but I am talking about any kind of volume. You will find that 1 or 2 companies are taking loans, they are accepting applications, I should say, either on a settle-when-sold basis; in other words, they will agree to take the application, process it through to a commitment, but they will not settle the loan until they can find a permanent holder for the mortgage, and then there is another that is taking, on a very selective basis, loans, warehousing them, putting them in their own inventory, holding them until they feel that they can sell them at a later date.

Pretty much unanimously the market for spot loans is exceedingly tight.

Mr. BARRETT. Just one question before you go on. In parceling out the loans, the warehousing loans, at what point does the bank start to parcel out loans?

Mr. AYLSWORTH. I don't quite follow your question, sir.

Mr. BARRETT. When he puts that loan in his portfolio, when will he parcel it out, at what point?

Mr. AYLSWORTH. Well, he will try to sell that loan if it isn't sold. Certainly we do it, and I am sure the other companies do the same thing. We will try to sell it immediately, but I think most of us realize today that that is a pretty hopeless job, and though we will attempt to sell it, we don't anticipate we will have much success, at least not in the next 30, 60, or 90 days, until we see some change in this market.

Now, your next category under the availability of mortgages was your larger housing developments, and again we find that we have got a very tight market.

There is only one company, and that is the one which I have mentioned previously, that represents a large insurance company, that can actually give out commitments on a large development of houses. They will give a commitment at a price of 99 to 99½ for FHA or GI mortgages, and in most instances will take the maximum terms.

One other company said that they could get a commitment on a limited amount for a selected builder on a 10-percent-down, 25-year basis, on GI's.

The rest of the companies state that they have no source at the moment to get commitments for a large-scale housing development.

You will find that one of the larger companies are willing to issue their own commitment at a cost of 1 percent to the builder, and they have an agreement with the builder that in some instances they have the right to sell those loans out as low as 95.

In one instance they have the right to sell them at whatever the market might be within a period of 1 year, and the builder must stand the discount.

However, if the builder in the next few months is able to find someone himself that will take that commitment at a better price, they will assign all of the information over to him.

The company retains the 1 percent as their service fee on it. But that is somewhat of an unusual case.

Now, what I am talking about is your commitments primarily for mortgages for the home buyer, the permanent financing.

Now, in your developments in most cases you need construction money, and to obtain construction money, you need what is known as a firm takeout commitment, and a firm takeout commitment is one in which the ultimate buyer may be an insurance company or a bank or whoever it might be, states that they will, upon satisfactory completion of the house, take the mortgage of the builder or a satisfactory bona fide home buyer. In other words, it completely bails out the institution that advances construction money, and again every mortgage company but one stated that at the moment those commitments were impossible to get.

Now you come into construction money, and you find that again they say that construction financing is tight. I know in Philadelphia they say there are several financial institutions which specialize in construction financing, and you will find that for all practical purposes they are out of business. They probably won't say so, but you will find it is extremely difficult to get, and that is even if you have a firm takeout commitment, which is also difficult to get.

As far as your outstanding construction loans are concerned, I have not heard that there has been too much difficulty. You do hear once in awhile of a building job that is in difficulty, some difficulty. However, you will find in most cases your construction loans have been slowing up. I mean slowing up in their ultimate payoff. I know in our own situation that is primarily because there has been some slowing up of sales, and the average builder will slow up his construction or his completion of his houses and keep pace with his sales so that his job doesn't just sit empty. However, there doesn't seem to be any real emergency as far as that is concerned.

Now, the fourth item under the availability money is our warehousing facilities, which is a very important part of our business because the average mortgage company couldn't operate without it.

There is hardly a mortgage company, if any, in the city of Philadelphia, that would have sufficient capital to carry all of the loans which they manufacture until they can get them in the hands of the ultimate purchaser, and we must have warehousing facilities for that purpose, and I think we should differentiate here between our type of warehousing, which is strictly short term in most instances, and I might say simply a business short-term loan as a manufacturer might have on inventory or on the purchase of supplies against the type of



warehousing facilities which have been set up in New York by some of your buying banks, and I mention the Institutional Securities Corp., which set up the \$250 million warehousing fund which was to be used by the savings banks in New York State to purchase mortgages now or to commit for mortgages now with the thought that they wanted them a year from now.

I think that there is quite a difference in the two types of accounts. Ours is primarily a short-term economic turnover situation. You will find that any mortgage company in the settlement of the loan must use their own funds. And it takes between 30 and 90 days to get those mortgage papers in shape to deliver to the ultimate purchaser. You must get your mortgage off the record. You must get your title policy. You must get your loan-guaranty certificate from the Veterans' Administration or your endorsed bond from the FHA. All of these things take time, and during that time you must have facilities to carry that loan.

Now, all of the companies except, again, one, say that their warehousing facilities are tight. Most of them need more money right now, and they can't get it.

A number of the companies mention that pressure is being put on them by their banks to continue to reduce their warehousing accounts, reduce their outstanding loans.

The CHAIRMAN. As we get it, Mr. Aylsworth, there are three types of warehousing, first the uncommitted warehousing, second, the committed line, and I assume that is what you do—

Mr. AYLSWORTH. Well, we cover both, sir.

The CHAIRMAN. And third, of course, is the institutional committed loan. You cover both the committed and uncommitted line of warehousing but not institutional warehousing?

Mr. AYLSWORTH. No, sir. In the committed and uncommitted line most mortgage companies usually run where they have a certain percentage of their warehousing that can be for uncommitted loans, and in going over and talking with these various companies in Philadelphia, I find that your total warehousing accounts in Philadelphia will total today better than about \$60 million. I think I am being fairly conservative on that. And I would say of that amount, between 10 and 15 percent—and this is a hard figure to get—would be covered, unsold loans.

The CHAIRMAN. You, of course, are aware of the Federal Reserve Board in New York's crackdown or left-handed approach to the bankers about warehousing generally?

Mr. AYLSWORTH. Yes, sir.

The CHAIRMAN. It was a suggestion maybe that was bad. You say it is an essential ingredient of the mortgage business?

Mr. AYLSWORTH. Yes.

The CHAIRMAN. Secondly, what do you think of the suggestion of Federal Reserve that it be curtailed? What effect would that have?

Mr. AYLSWORTH. I think it would have a very decided effect on the volume of our business.

The CHAIRMAN. You mean the general mortgage business on homes?

Mr. AYLSWORTH. Yes, sir, because if our warehousing facilities were curtailed—and frankly we are being told, "Let's get the amounts down"—it certainly hurts our business, and it reduces the volume we can handle.

The CHAIRMAN. You paint a dark picture of the credit picture here in Philadelphia.

Mr. AYLSWORTH. I think it is a dark picture at the moment.

The CHAIRMAN. In other words, at the moment it sounds to me as I hear you testify that we are getting back to that tight period of about 1953 and getting there rather rapidly, is that correct?

Mr. AYLSWORTH. I think that is correct; in fact, in some ways I was trying to look back in giving thought to this over 1953, and it didn't seem to me in that period we were in quite as tight a position as we are today.

The CHAIRMAN. Let's put our finger specifically—as I am sure you can—and without any hesitation on the things that have caused the tightness today. What is the reason for the tightening of the mortgage market in Philadelphia?

Mr. AYLSWORTH. I think, as we discussed earlier, it is the change of your discount rate by the Federal Reserve. Your Government bond market declined, which has tightened up money with your banks, and by way of illustration we have one bank in New York, a New York State savings bank, that for one reason or another never went into the mortgage picture, much to their regret today, and they were a little Johnny come lately, but they had decided not more than about 6 months ago that they should enter into the picture.

Now, this is a large bank. It is a hundred million dollar bank. When they decided to go into it, unfortunately their investments were in Government bonds, the Victory 67-72's, which they were again unfortunately carrying on their books, as high as 103½. The market dropped off on them to 93. Now, true, the banking department allows them to carry them at par, so they don't have to show a loss even though we know the bonds aren't worth that today.

Today they can't afford to sell those bonds to buy mortgage loans, but they should, because frankly their income at the moment is less than their expenses.

The CHAIRMAN. In other words, they are stuck with Government bonds?

Mr. AYLSWORTH. That is true, and you will find that in so many of your institutions. As your prices on bonds go down, your yields go up, and unquestionably you have competition with mortgage loans and your 4½ percent GI or FHA mortgage isn't nearly as attractive.

The CHAIRMAN. Of course I assume that whether you agree with them or not, you will admit that credit restrictions on housing have also helped to curtail the market, isn't that right?

Mr. AYLSWORTH. You mean the new regulations?

The CHAIRMAN. Yes.

Mr. AYLSWORTH. I think they would have some kind of curtailing effect, but I don't think again it has had any real effect because of this tightness, which actually slowed up before they changed the regulations. If I remember rightly, those regulations were changed about the 1st of July, were they not, June 30?

The CHAIRMAN. Isn't it really true when interest rates on bonds go up, you enter into a vicious circle; that mortgage rates and all have to follow?

Mr. AYLSWORTH. Yes, you do. There is no question about it. Your mortgages follow pretty closely your rates today.

The CHAIRMAN. Let me ask this: Isn't it also true that the interest rates generally, and the mortgage rates follow the Federal bond market position?

Mr. AYLSWORTH. I would say definitely they do.

The CHAIRMAN. There is no question about that?

Mr. AYLSWORTH. No, not in my mind.

The CHAIRMAN. Do you agree with me that interest rates and mortgage rates are—this is a bad term to use—are manufactured by the stand the short-term warehousing. I wonder if you briefly could tell me about it.

Mr. AYLSWORTH. Yes, I do.

The CHAIRMAN. Well, I think you are absolutely correct.

Go ahead with your statement.

Mr. AYLSWORTH. Going on with our warehousing accounts, I mentioned that you probably wonder why I am stating that in a declining market or a tight market these mortgage companies want more warehousing facilities, and that is because of two things: (1) all of us have a number of outstanding commitments which were set up quite a long time ago, sometimes as much as a year ago, because it takes quite a while to build some of these developments. These things are coming to settlement, and we need the money to settle.

Now, another thing that has cropped up is the fact that our warehousing accounts—even the loans are sold, and most of them are—are turning over at a much slower pace than they have in the past. We find that some companies will just not pay for their loans after they ship them to them quite as fast as they did before. You might have a company you would send the papers to today; they would look them over and pay tomorrow. Now, they let them sit awhile because money is a little tight, and they want to spread it out.

We have had instances where banks and insurance companies come to you and say, "Will you hold up delivery 30, 60, or 90 days? We are out of funds. We will pick them up then."

In 1 or 2 cases I know of outright attempts to get out of commitments altogether.

If you are figuring on turning your warehouse account over in 90 days, which is usually what the banks want, and you are coming up with institutions asking you to wait another 90 days or holding them, you can see what happens. It pyramids your warehousing accounts. That is what is happening in some of the insurance companies today. At the same time, some companies have tried to get additional warehousing facilities.

One mentioned he had an insurance company interested in buying \$5 million worth of loans provided he could hold them for a period of time. He could not get the accommodations in place, so he had to turn it down.

I think the last point you asked me to discuss was the fact of whether or not this area is being overbuilt. It seems pretty much the consensus of opinion that we are not overbuilt. Though there has been a certain slowness in the market, most of the companies feel that there is still a good demand for the good house at the right price in a good location.

One company said this, and I think it is probably true: The need is gone but the desire is still there. You are out of the emergency picture, but you have a lot of people that would like a good house in a nice location if they can find it. I think a lot of your marginal

developments, your developers that have built great numbers of houses, which are perhaps poorly designed, poorly built, poorly located, are the ones having difficulty today.

One person brought out this, too: Going back to our spot loan situation, where it is becoming extremely difficult to finance the sale of your older homes in the city, it is certainly going to affect the sale of homes in the suburbs, because people living in the city who would like to move are finding it difficult to sell their home.

To give a personal experience, I just sold a home I was living in for some time. I noticed the people who came to look in it were living in areas like Germantown and were interested in buying my house, but it was always contingent on selling their own.

In two cases I had them agree to buy but they could not get the loan, and this one chap had been waiting a year to move.

In conclusion, it seems that the primary concern with all of us is the tightness of money. We don't feel that the new regulations have seriously affected us as yet, although if we get into a free money period again, they will have some effect on the market, and lastly, we are not overbuilt, and there is still a good demand for a good house, well-priced, well-built, in a good location, and it was also their opinion that if these credit—that if this tight money policy continues, that there will be undoubtedly a great decline in housing starts next year.

One even went so far as to feel that it might be as high as 75 percent. That seemed pretty high to me, but that was one man's opinion, that housing starts might be off as much as 75 percent.

Mr. GAMBLE. It sounds awfully high to me.

Mr. AYLSWORTH. Yes.

The CHAIRMAN. Was he in the mortgage business?

Mr. AYLSWORTH. Yes, sir.

The CHAIRMAN. Any questions?

Mr. O'HARA. I am very much concerned with your suggestion that the tight money market might result in a 75 percent decrease in construction. Of course that is a serious thing if it should happen. I think I understand institutional warehousing. I don't quite understand the short-term warehousing. I wonder if you briefly could tell men about it.

Mr. AYLSWORTH. Yes, sir.

First, may I say that that statement of 75 percent does seem very high to me. I don't think it will be that high. But that was one man's opinion, and frankly, he was one of the men that was the head of one of our larger companies. When you are on your warehousing for a mortgage company, you will take a mortgage company that might have assets of a half-million dollars. They might be doing a million or two million dollars worth of business a month in mortgage loans.

Now, they might be correspondent for the New York Life Insurance Co. or the Northwestern Mutual Life Insurance Co., and on these loans they have firm commitments from these companies that they will buy these loans by assignment.

Now, they must go in and settle the mortgage. If it is a \$10,000 loan, they must put up their \$10,000.

Mr. O'HARA. For what purpose do they need the money?

Mr. AYLSWORTH. They need the money to carry that loan until such time as the Northwestern Mutual or New York Life would pay for the loan.

Mr. O'HARA. And then if they don't get it, it curtails their expansion?

Mr. AYLSWORTH. That's right. They just couldn't settle that loan.

Mr. O'HARA. Somewhat the same situation obtains with institutional warehousing?

Mr. AYLSWORTH. On institutional warehousing it was a situation where—well, take a New York savings bank, for instance, it feels that next year or a year from now they would need a million dollars worth of loans. They don't have the money, but they think today is a good time to buy, so they buy a million dollars worth of loans; they warehouse them at a commercial bank, which will buy those loans in effect and hold them for their account for a period of 1 year at which time they must take them up.

Mr. O'HARA. Now you say there is difficulty in selling older houses. Does that come from the difficulty in obtaining mortgages on them?

Mr. AYLSWORTH. I think a big part of the difficulty is in financing an older house, yes.

Mr. O'HARA. I can imagine many individuals who might want to buy these houses, but it would be difficult for them to obtain mortgages because of their age.

Mr. AYLSWORTH. That is true.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. You referred in your statement to the tight money situation in 1953.

Mr. AYLSWORTH. Yes, sir.

Mr. ASHLEY. It was your experience at that time, was it, that warehousing was essential to tide you over that somewhat difficult money period?

Mr. AYLSWORTH. Yes, and in trying to recall that period, I do not recall that we had warehousing difficulties at that time. The banks worked along with us and we didn't have quite the pressure put on us that we have had today.

Mr. ASHLEY. I am especially interested in this. This is a field that is new to me. It would appear then that warehousing is all the more important to you and members of your profession in tight money periods such as presently is a threat, is that correct?

Mr. AYLSWORTH. I would say that is right. Now, unquestionably if this tight money policy continues for say 6 more months or so, our need for warehousing will go down because by that time we will probably have cleaned up the outstanding commitments.

The CHAIRMAN. You will be out of new business?

Mr. AYLSWORTH. You would be pretty much, as far as FHA or GI loans. We didn't mention conventional loans. There hasn't been much of a shortage of money for those.

Mr. ASHLEY. One final question: Instead of restricting credit, would it be your view that it might be better if the Federal Government carried out the Employment Act of 1946 by promoting full production and employment?

Mr. AYLSWORTH. I don't know what my answer to that might be. I don't know, sir.

Mr. ASHLEY. All right, that is a policy question. I just wondered if you felt strongly on it one way or another.

Mr. AYLSWORTH. No, I don't. I am not that familiar with it.

Mr. BARRETT. Let me ask you just this one question:

Is the mortgage warehousing in any way inflationary?

Mr. AYLSWORTH. I think that you could say that your warehousing for your institutional buyers could in effect be inflationary because your—you might say, you are priming the pump to increase settlements today, which have to be taken care of at a future day. I do not think that the warehousing that your mortgage companies are using today is inflationary because it is just a need of your business that you can't operate without.

Mr. BARRETT. Would you have a suggestion that if it were to become inflationary, that it be stabilized?

Mr. AYLSWORTH. Well, the restriction of it could control it as much as any other way.

The CHAIRMAN. As a matter of fact, on that question Mr. Barrett asked, all mortgage financing is inflationary; any time you put credit out, it is inflationary. There is no secret about that, is there?

Mr. AYLSWORTH. I think that is true. Any credit financing is inflationary in effect.

The CHAIRMAN. Now, if you produce more houses, you reduce the demand, and isn't that deflationary in the long run?

Mr. AYLSWORTH. That would depend.

The CHAIRMAN. If you reduce the demand for mortgage credit by reducing the article itself—

Mr. AYLSWORTH. You have been increasing your demand for houses by easier and easier financing. There must be a limit someplace where you are either going to completely overbuild and you are going to have a tremendous amount of houses which unquestionably would be very deflationary.

The CHAIRMAN. But you have said—and I am sure we all agree with you—that even here in Philadelphia and across the country—now, you don't say that there is any complete meeting of the demand for houses in this country?

Mr. AYLSWORTH. I don't think there is, no; but I do think that the blush is off the rose. I don't think that you can build anything today and sell it tomorrow as some of our builders have expected to do.

The CHAIRMAN. The trouble is some of our builders expect a continuation of the era that we had during the war when you went into a store and had to beg a clerk to give you something from under the counter. We are moving into a normal, a more normal situation. Isn't that right?

Mr. AYLSWORTH. I agree with that, and I think it is a good thing.

The CHAIRMAN. Thank you very much, Mr. Aylesworth, for coming before the committee. We appreciate the cross section you gave us, not only your own viewpoint but that of your colleagues in the business. We appreciate your coming and contributing to this hearing.

Mr. AYLSWORTH. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Samuel Green, president of the First Federal Savings & Loan Association of Philadelphia.

We are glad to have you, Mr. Green.

Mr. GREEN. I am glad to be here.

The CHAIRMAN. I understand you don't have a statement.

Mr. GREEN. I haven't got a prepared statement. I just jotted down a few items here that I thought that I would talk about or be ready to answer any questions that the committee might have.

The CHAIRMAN. I understand that your savings and loan is the first chartered in Pennsylvania.

Mr. GREEN. In the whole district.

The CHAIRMAN. How long have you been there?

Mr. GREEN. Since 1934.

The CHAIRMAN. Specifically, we are talking about the mortgage restrictions, credit availability, and so forth, in the light of the restriction of the Home Loan Bank Board.

I wish you would give us the picture just as it is with reference to mortgage lending with Federal savings and loan associations, recognizing that they furnish the money to build about one-third of all houses and that in addition to it, I wish you would give us your opinion as to what the result will be of this curtailing of credit by the Home Loan Bank Board.

**STATEMENT OF SAMUEL GREEN, PRESIDENT, FIRST FEDERAL SAVINGS & LOAN ASSOCIATION OF PHILADELPHIA, PHILADELPHIA, PA.**

Mr. GREEN. Well, the first statement I want to make is I am very glad that I am the second witness, because the first witness gave you a pretty good picture of the credit situation as far as the wholesale credit is concerned in the mortgage field.

The CHAIRMAN. He did, indeed.

Mr. GREEN. I concur in almost everything he said, including the quotation from Mark Twain that the root of all evil is the lack of money, but I do believe that just to go ahead the way we have been going just doesn't work out because we have to stop on the way and make a little bit of adjustment.

I don't think it is well to have the tight money market for a steady diet, but a little bit every once in a while to adjust our watch to keep the right time I think is necessary.

As far as the savings and loan associations are concerned, they are a little bit different from the seasonal mortgages, as you call them, where they go into the market and go out of the market, depending upon the price of the bonds and the price of everything else, where the savings and loans are in the mortgage market continuously, and they are catering to the local brokers and to the local builders in a direct way instead of in an absentee way.

But I find here that there is no real hardship for any builder, not too large a builder, to find any funds for his modest operation, and of course there is no real hardship for any person who wants to buy a home to get a mortgage from a savings and loan association on a fairly liberal term, not too—

The CHAIRMAN. Does that include FHA and GI insured loans or conventional?

Mr. GREEN. Either one. They can get it, if not in a too wholesale manner, as the mortgage companies used to operate.

I don't agree with my former speaker that there is a shortage of homes. Anybody who wants to buy a home can find the home he wants and be able to get it on very short notice.

The builders are not selling as fast as they have been selling before. We can find that out from the builders that we are working with. Therefore, we feel that—

Mr. BARRETT. Would you say, Mr. Green, that you think we have met the saturation point in Philadelphia?

Mr. GREEN. I don't know about the saturation point, but we have met the point where we can't build houses and just sell them on Sunday morning by salesmanship. We have to do a little more than salesmanship. A builder may have to give a little value for the money, better value, a competitive basis.

Up until now all they had to do was use salesmanship and plenty of advertising and they sold it.

Mr. BARRETT. I am certainly glad to hear you say that they should give better value.

Mr. GREEN. I believe they were selling homes to marginal buyers who didn't care or didn't know enough to care whether they got value or not. All they wanted to find out was how much a month were the carrying charges, because how much down was no question. There was nothing down. When you sell to a person with nothing down, you are really scraping the bottom. You can start out with a bum in the park. You don't know who you are dealing with. Because I don't know that the small downpayment makes a big difference. The only thing is it helps to eliminate a lot of sales which they wouldn't make otherwise.

Now, there are problem cases, as I mentioned before. In other words, the problem cases never went to these wholesalers. We had to deal with people right here in the city because we have a more personal contract with them, and we took them, but now they will have even a bigger problem than before because why should people take real problem cases when they can get good decent applicants for the same money?

The CHAIRMAN. The trouble with us, though, Mr. Green, is we have to be concerned with the real problem cases; so if you can, help us on that.

Mr. GREEN. I will come to that.

If you are not concerned with the problem cases now, you will have them back in a few months. So why not do something else with them, instead of just give them a house which you will get back?

The CHAIRMAN. Do you do tract financing, finance whole areas of buildings?

Mr. GREEN. Not big. We do finance builders.

The CHAIRMAN. Well, we will say a project of a thousand houses.

Mr. GREEN. Yes—not a thousand houses, maybe two or three hundred houses.

The CHAIRMAN. Now, this curtailment of credit by the Home Loan Bank Board, did it cut you off in doing that type of financing?

Mr. GREEN. It cuts us off from doing it promiscuously. We only started that about 2 years ago, and before we looked around, it got us away pretty much more than we could absorb, and we thought we were going to get the money from the Federal home loan bank. Now, when the Federal home loan bank told us, "Wait a minute. Don't



depend on us," we looked over our picture and we find that we can take a certain number of builders with the money that we are expected to get in from the payoff. The payoffs are large enough and the income from the usual savings enough to take care of a number of builders which we should take care of.

The CHAIRMAN. Have you any commitments out that are going to require you to sell any securities in order to meet those commitments?

Mr. GREEN. No, we don't have any like that.

The CHAIRMAN. Let me ask you this question: I could call out this man's name. He would be very well known to you. He is the president of one of the biggest in the field you are in, and he tells me that the curtailment of the Home Loan Bank Board has caused his institution to sell at a great loss, securities in order to meet commitments already out when they reached in and said, "No more."

Do you believe that kind of curtailment is good business?

Mr. GREEN. I can't understand how a man who is head of a large institution of that kind will allow himself to be committed to such a large amount of construction mortgages that a sudden change in the credit situation should force him to sell so much of the securities.

The CHAIRMAN. Well, this is a \$200 million institution.

Mr. GREEN. Well, they encouraged me too but at the same time I didn't borrow my full limit, and I didn't go in just to give out money and borrow. We still allowed ourselves to operate mostly from our own money and just use the money of the Federal home loan bank when we needed it. We didn't commit ourselves solely on the home loan bank. I didn't believe in that, and I didn't believe in encouraging builders to build too many houses. So I had done a little restricting of my own somehow.

Mr. BARRETT. Mr. Green, let me change you off onto another field for a minute.

I understand you are going to be with us for only 5 more minutes, so I want to ask you this question:

Naturally you have been in the building and loan business for some time. Have you noticed any increase in foreclosures lately over what you experienced years ago?

Mr. GREEN. We certainly did.

Mr. BARRETT. Much greater?

Mr. GREEN. We do find the foreclosures are increasing, and of course they are increasing in the marginal buyers.

The CHAIRMAN. You say they are increasing?

Mr. GREEN. Yes. Especially we find that those who put down the right payments, they are not increasing, but the marginal buyers are increasing in foreclosures.

The CHAIRMAN. Is the GI and FHA loans?

Mr. GREEN. GI, a good many of them.

The CHAIRMAN. The figures don't reflect your statement. Across the Nation there is less than 1 percent foreclosures.

Mr. GREEN. Maybe we took more marginal loans than we should have taken. These wholesalers who take a great number of them don't take these marginal loans.

The CHAIRMAN. Any questions, Mr. Barrett, Mr. O'Hara, Mr. Gamble?

Mr. GAMBLE. No questions.

The CHAIRMAN. Mr. Ashley?

Mr. ASHLEY. Just very briefly, Mr. Chairman.

I am interested in who this marginal buyer is. Is he the man who is forced to buy a home that perhaps he cannot quite afford? Is he the marginal buyer?

Mr. GREEN. He is not forced, but he is sold by somebody, that it is time for him to buy a house, and the salesman is a pretty good salesman.

Mr. ASHLEY. Is it due to the fact that there isn't low- or middle-income housing available to him?

Mr. GREEN. There is, but he buys a higher priced house than he should buy or he buys it a little bit sooner than he should buy. He should wait maybe a year and save up a little more money.

Mr. ASHLEY. Just one last question then, Mr. Green.

I quite agree with you that it is a good idea to stop and adjust our watch. I do it every day.

Now, I am interested in exactly what salutary adjustments take place as far as you are concerned during the period of tight money and how these adjustments take place.

Mr. GREEN. First of all it calls everybody's attention to reexamine himself and see what he is doing, just like it did to us. You saw that we were about on the margin of our credit at the bank, and we better just make enough commitments for what money that we expect to take in ourselves instead of depending on credit.

All around the real-estate man knows in order to sell he has to give more value because things are tightening up. The builder knows, the subcontractor. The very same builder who pays now or did pay a premium for some of the materials, has trouble selling his houses. Now, there shouldn't be so much building going on now that the builder should have to pay premium prices for gypsum board or something like that, and then not be able to sell the house. He better stop awhile and not buy the gypsum boards until the people look for him to buy instead of him having to look around for sales.

Mr. ASHLEY. I appreciate your viewpoint. I have certainly heard you commended by Mr. Barrett and I am delighted myself to have had your testimony.

The CHAIRMAN. One other question.

You are a member of the United States Savings & Loan League?

Mr. GREEN. I certainly am.

The CHAIRMAN. I am informed that the United States Savings & Loan League and the Home Builders Association joined in criticizing the Federal Home Loan Board for its curtailment. Do you join in that?

Mr. GREEN. I am not surprised at the builders because that is their bread and butter. They have been riding on a gravy train for some time, and they don't want to get off of it. But the United States League, I don't concur with them.

The CHAIRMAN. Are you also a banker?

Mr. GREEN. In a small amount. I am chairman of the board of a small bank, the Roosevelt Bank.

The CHAIRMAN. I believe I would be willing to put my money in your bank or savings and loan association.

Mr. O'HARA. May I make the comment that our colleague, Mr. Barrett, says Mr. Green is one of his most beloved neighbors.

Mr. GREEN. I only live about a block away from him.

The CHAIRMAN. We are very glad to have you, Mr. Green.

Mr. GREEN. Thank you.

The CHAIRMAN. The committee will stand in recess until 2 o'clock. (Whereupon, at 12:10 p. m., the committee was recessed until 2 p. m.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

We had expected to hear on this afternoon's program Mr. Fred P. Meagher, president of the Home Builders Association of Philadelphia. He is unavoidably out of town and has sent a prepared statement which at this time, Mr. Reporter, we will incorporate into the record.

(The statement follows:)

#### STATEMENT OF FRED P. MEAGHER, PRESIDENT, HOME BUILDERS ASSOCIATION OF PHILADELPHIA AND SUBURBS

Chairman Rains and members of the committee, my name is Fred P. Meagher. I reside on Rose Tree Road, Rose Valley, Delaware County. I am president of the Home Builders Association of Philadelphia and Suburbs, with offices located at 42 South 15th Street, Philadelphia.

Mr. Chairman, our association is honored in having the opportunity to appear before you today and we extend our sincere thanks.

The home builders association embraces a five county area which includes Philadelphia, Delaware, Montgomery, Bucks, and Chester Counties. The area currently has a population in the neighborhood of 3 million people.

Our organization has a membership of approximately 300, of which 150 are active builders. The remainder consists of associate members representing virtually every division of the housing construction field. Our builders erect about 75 percent of all housing in the metropolitan Philadelphia area.

Our builders are responsible for about 75 percent of all housing construction in this area. No doubt your committee will be interested in learning that in the last 10 years private enterprise constructed approximately 150,000 new dwelling units in the area. About 75 percent of all housing today is built outside the city limits.

Our builders have provided the home-buying public with probably the best housing that can be purchased anywhere over the Nation, at the lowest possible prices. The buyer gets more per dollar than anywhere else.

We have found it possible to give these values because of several reasons:

1. Virtually our entire builder membership is composed of volume builders
2. We have been fortunate in that we had no disrupted market for our products.
3. We have had the ability to plan our housing developments in such a manner that production has been continuous.
4. We have found it possible to keep up with our productivity because of our close relations with labor which is necessarily an inherent part of good local economy.
5. Because of the high values given by Philadelphia area builders, there has always been a great availability of mortgage money.

Only on a few occasions have builders in this area been forced to curtail or hold back production, even slightly, because of inability to get sufficient mortgage funds.

The credit restrictions imposed on July 30, 1955, have had a definite impact upon the homebuilding industry over the Nation, but have not been felt as strongly in Philadelphia.

We did know, however, many months before July that there was a definite tightening up of mortgage money, but we in Philadelphia always have been in a very fortunate position, as I pointed out before, of being able to get sufficient mortgage funds.

Builders still do not feel fully the July 30 restrictions.

It is apparent, however, that within the coming months the homebuilder will experience greater difficulty in securing adequate funds for construction loans

and permanent financing. It is possible that the buyer may not realize the untimely impact until the early part of next year, but there are some of us hopeful that before spring sets in the money market will have righted itself and there will be sufficient funds. In the meantime, however, there definitely will be a curtailment of residential development in an area where there is no overbuilding or surplus of new homes.

The sudden change in mortgage requirements breaks the orderly functioning of the housing-construction industry, Mr. Chairman. It is only through an orderly procedure of construction and the planned acquisition of materials, together with assurance of uninterrupted employment of construction workers that we have had the foundation necessary to turn out large volumes of houses at better values with each succeeding year.

This interruption which came in July will be effective in many other ways. Our personal belief is that the World War II veteran will not be too happy over what the Federal Government has done to him. This same veteran will not understand the gyrations of the Federal Reserve Board, nor will he be able to comprehend that the administration in Washington may have stymied the plans of many veterans who contemplated marriage and the acquiring of homes in 1956.

We are not too concerned over the additional 2 percent downpayment because there are many who believe that the average homeowner or buyer should have a greater equity in his property. We do believe, however, that reducing the 30-year mortgage to 25 years will have a retarding effect upon buying. Even though a man pays only a few dollars more per month, it means that he must earn considerably more per week, and this means that the general economy of the country, so far as we are concerned, must be raised.

A great number of our builders, particularly in the higher brackets, use conventional funds for their mortgages. There are many others, however, who look toward FHA. They have been using this agency since its inception.

There are many builders, too, who build almost exclusively through the Veterans' Administration and it is these men who will be it the hardest. Our belief is that the administration should give relief by returning at once to the 30-year mortgage. We believe that, under 220 and 221, a number of builders will take advantage of the plan, as it is now devised.

For a number of years our builders have endeavored to cooperate with the urban redevelopment authority here. It is a most cooperative agency and is doing everything in its power to interest private enterprise in its program.

Yesterday Mr. Lammer told about the program and it is also interesting to note that the two builders who are now cooperating under the plan are members of our association. Many years ago we attempted to get other builders into the plan and they were highly interested but there always seemed to be some fly in the ointment that kept them from proceeding with the job.

We would like to say a few words about Fannie Mae. This agency is coming along to the point where we believe that a better education of the builders will result in a further beneficial use of this agency. Mr. Arthur Gretz, the regional manager, is most cooperative and it was only the day before yesterday that I spoke to Mr. Gretz about coming to your offices, or we going to his offices, with groups of 10 builders at a time who can have explained to them more lucidly than in large groups the advantage of Fannie Mae. We plan to do, also, the same thing with the voluntary home mortgage credit program. There are many advantages in this for the man who has been stymied in his request for mortgage money and it was only 2 days ago that approximately 300 people in the Bellevue-Stratford who attended our mortgage clinic, were given a clearer idea of the operation of this agency. We believe from now on that there are many builders and others who will take advantage of this plan by pointing out to their prospective buyers who may have been stymied in other ways the advantages of the voluntary home mortgage credit program.

Last week in Washington a number of builders had the money situation explained to them. Of course, it is generally difficult for most of us to understand the world monetary system, but it was explained in a rather lucid way. Briefly, when the supply is not as great as the demand, then is the time to tighten up. Money becomes costlier and, consequently, this is reflected in the building price of houses and everything else.

The Federal Government, instead of curbing inflation, will necessarily see an increase in the cost of housing because money will cost much more. It will require a greater number of points for the builder to secure his money and when this happens somebody must pay the bill. In this particular instance, there are only

two people who will pay. One is the builder, if he can absorb more costs, and the other is the buyer.

Possibly we are being blessed by the Government's action and we do not know it. If I had pointed out before that the cost of housing must go up, it means that the demand for housing will be greater because of a trending off and a shorter supply. Furthermore, there has been a definite shortage of certain materials. We are in a peculiar position today, for certain materials. We are in a peculiar position today, for instance, of materials of certain types coming from Canada, which are used in housing in this area. This material is considerably higher in cost than the same material obtainable in the States.

There are other factors, too, that may increase the cost of housing, but it is our belief that we should go back to the 30-year mortgage and, if necessary, go back to the no downpayment.

The veteran has placed his faith in the Federal Government. The veteran who could have taken advantage of the office of the Federal Government with no downpayment and 30-year mortgages did not feel it was expedient at that time for him to get married or to purchase a new home. He, therefore, is going to be in the position of feeling that he has not had the same advantages as his brother GI who decided to buy his house 6 months or a year ago, or who may be in a position at this particular moment to get the advantage of the few 30-year mortgages still around. However, there are many who believe that with the early part of next year there will be a loosening up of the purse strings by those who control mortgage money for the Nation. If building dips to an alarming low, and that is not an impossibility, then, the Federal Government is in the peculiar position of finding that many men who are employed today in the building trades will be without work. It will also be in the peculiar position, too, that the veterans are not getting the houses that were promised to them and it also will be responsible for the higher cost of money to the home builder.

I think all these things deserve serious consideration by your committee, Mr. Chairman.

Of course, no report is good without offering a number of suggestions and we believe that some of the suggestions offered by the Long Island Home Builders Association at your New York hearing deserve the consideration of your committee.

The home builders association, through our president, Fred P. Meagher, appreciates this opportunity to appear before you and place ourselves at your disposal for any information you may desire at any time. Please rest assured that we shall do everything possible to cooperate with you in every way to better the housing program of, not only Philadelphia, but of the Nation. Thank you very much.

The CHAIRMAN. The next witness is Mr. Elmer Carll, of the Industrial Trust Co.

Mr. Carll, have a seat.

You are to discuss the credit situation with emphasis on mortgage warehousing.

Mr. CARLL. As a matter of fact, mortgage warehousing is what I had in mind when I was asked to testify.

The CHAIRMAN. Would you identify yourself a little more fully for the record?

#### STATEMENT OF ELMER S. CARLL, PRESIDENT, INDUSTRIAL TRUST CO., PHILADELPHIA, PA.

Mr. CARLL. Elmer S. Carll, president of Industrial Trust Co.

Mortgage warehousing, perhaps like Topsy, just grew up. In order to understand perhaps the place that mortgage warehousing fits into the credit program and the financing of housing, it might be well to review the change in mortgage financing from the depression.

At that time the National Housing Act was passed, which brought forth the insured FHA mortgage. That enabled money to go over State lines much more fluently in real-estate financing than it was ever able to before.

The CHAIRMAN. You are talking about FHA?

Mr. CARLL. I am talking about the FHA mortgage.

When that first came out I was with another institution. We did quite a bit of construction lending and mortgage financing. We could expand our mortgage portfolio just so far and then you would sell the mortgages off to a purchaser, maybe out of State, or it could be in-State, but in order to deliver your papers, your mortgage, to the buyer in a satisfactory method to him, you had to have all of your papers, the title policy, your bond insured, your mortgage of record, and ship it to him as a complete package all assembled.

The CHAIRMAN. You are a commercial banker?

Mr. CARLL. Yes, sir.

The CHAIRMAN. All right.

Mr. CARLL. This brought forth the so-called mortgage-servicing companies. There was a place for them.

The CHAIRMAN. Now you are going back for a little background?

Mr. CARLL. Yes, sir.

The CHAIRMAN. All right.

Mr. CARLL. The mortgage-servicing companies found that their limited capital was likewise not sufficient to operate comfortably by putting on their books what they could buy and then selling.

With the expansion after World War II in the building business to supply the pent-up demand of home buyers, and with your GI mortgage, that again perhaps doubled or trebled the load. As a consequence, mortgage warehousing came into being.

Now your mortgage warehousing used as it was originally planned constituted depositing the papers that you got in settlement with the bank and the bank allowing you to draw against that to complete the settlement. Then your bond was sent down for insurance for guarantee, your mortgage went to the recorder's office and the title company was instructed to write the policy.

Finally those papers came into the possession of the mortgage company. Then they have got the whole package and they can ship it. The buyers don't want to put up their money without having everything closed and all of their papers when they are delivered to their counsel to approve the payment of those mortgage loans.

The CHAIRMAN. That is the ultimate investor?

Mr. CARLL. Yes.

The CHAIRMAN. How long is that operation in which you as a commercial banker hold it in warehouse, how long does that ordinarily take?

Mr. CARLL. Normally we figure that by the loan rather than the operation. The operation may be slow selling or fast selling, for different reasons, but your individual mortgage we figure in 90 days to 6 months it ought to be out of there unless you have permitted a small percentage without commitments. If you have permitted a percentage without commitments, usually that is done for the purpose of spot loans, which are difficult to sell unless you have a package of fifty or a hundred thousand or two hundred thousand dollars that you can offer.

Of course mortgage warehousing has perhaps developed into let's say three different types. You have the normal warehousing, as I call it, which runs from 3 months to 6 months against commitments of the permanent investor to purchase. •

The CHAIRMAN. Is that uncommitted or committed?

Mr. CARLL. No, I said against commitments.

The CHAIRMAN. All right.

Mr. CARLL. For the purchaser, the final investor, and that is only a question of assembling the papers, getting your mortgage of record, your policies written correctly, and so on. Occasionally there is delay for reasons that would be a little bit difficult to find a specific reason, but occasionally there are difficulties that hold up delivery.

The other two types of warehousing are on repurchase agreement, for redelivery, which has been used in some instances, I understand. We have had requests recently to hold the account over until after the first of the year, for instance. Right now that isn't too bad, but about 3 months ago we had that request. They wanted January delivery or February delivery. I can understand that because the investor has figured his income, what comes in to him, the money he will have available, and he figured that would be available in January or February, but that is only 6 months off. That isn't too bad.

The CHAIRMAN. Mr. Carll, of course you are in the business of a commercial banker, and your first responsibility is to your depositors.

Mr. CARLL. That's correct.

The CHAIRMAN. We have heard—these are not my opinions I am expressing from here on out—but we have heard in certain circles and noticed in certain newspapers that warehousing is an ugly word; that it is a sort of bogieman type of business. Is it a regular practice in the mortgage financing field?

Mr. CARLL. It is very essential in my opinion in order to order merchandise and deliver and make settlements on the number of houses that we are doing today. It is very essential.

The CHAIRMAN. When you go into a mortgage warehousing agreement, whether it is committed, uncommitted, or institutional, for that matter, do you in any way jeopardize the depositors in your bank?

Mr. CARLL. I don't see how you can, because actually the biggest part of it is insured or guaranteed mortgages. Besides Uncle Sam's backing you have the bond of the individuals who purchase the property whose credit has been checked by FHA or VA, as well as the bank, the mortgage company, and, in addition, we have the note of the mortgage company, and most of my warehousing is at 98 and not at par.

The CHAIRMAN. You actually have three safeguards for the depositors' money, then. Of course you have VA and FHA guaranties. You have the note of the mortgage of the prospective buyer, and you also have the responsibility of the mortgage company?

Mr. CARLL. The note of the mortgage company and a commitment from some institutional buyer.

The CHAIRMAN. Whereas if you went out in the naked mortgage field and lent a man money to build a house with, all you would have on that would be the FHA guaranty and his note; is that correct?

Mr. CARLL. That is correct.

The CHAIRMAN. Now, you said that you had a discount rate on the purchase, at 98; is that what you said?

Mr. CARLL. I said we warehouse at 98. That doesn't penalize anybody. It merely means that the mortgage company has to put up the other two points.

The CHAIRMAN. And that is a further safeguard?

Mr. CARLL. Yes, they have some of their money in it.

The CHAIRMAN. Now, you, of course, know about the Federal Reserve action, not exactly action but suggestion that you fellows in the commercial banking business ought to cut out warehousing for the time being, I assume not because they frowned on warehousing, but because they wanted to cut down on mortgage credit.

In the light of the mortgage credit picture here in Philadelphia, and in the light of need for housing which apparently exists, do you think that restriction on warehousing is justifiable at this time or not?

Mr. CARLL. Personally, I don't think a restriction on warehousing properly used is necessary at any time.

The CHAIRMAN. I will follow up, then, with this question: Is warehousing, as practiced, inflationary?

Mr. CARLL. If you take the warehousing that is done for the purpose of having a place to deposit papers until they are assembled, it cannot be inflationary.

The CHAIRMAN. Now, institutional financing, buying mortgages today to hold for some big insurance company for delivery next July 1 might be a horse of a different color?

Mr. CARLL. I am not an economist. I don't know what the effect is on the market with Prudential's arrangement, for example. I don't know what that would be.

The CHAIRMAN. As a learned man in finance, I am sure you would agree, if you are going to be like the bark on a tree, so rigid with it, that any type of mortgage financing could be termed "inflation." In other words, the spending of money is inflationary, whether it be installment buying or whatever.

Mr. CARLL. I didn't quite get that.

The CHAIRMAN. If you spend money in this country for which you don't get the needs or the productivity which the country ought to have to take it up, that could be termed "inflationary" at any time, couldn't it?

Let me go this way.

Mr. CARLL. I cannot quite apply that to mortgages.

The CHAIRMAN. Suppose you built 10 million homes next year, and you put out the mortgage money to do it, that could be inflationary, couldn't it?

Mr. CARLL. Well, if the demand wasn't there to take them up, certainly.

The CHAIRMAN. Well, you give a real good answer. I am inclined to agree with you. I have a lot of people tell me if you built 10 million houses on mortgage credit next year, and you needed those houses, it would be inflationary. You say it would not be inflationary if the demand was there.

Mr. CARLL. Well, we wouldn't have the stuff to produce them, so with 10 million houses everybody would be on overtime, and that would be inflationary.

The CHAIRMAN. So as long as it is just to meet the demand you don't regard it as inflationary?

Mr. CARLL. I wouldn't think so.

The CHAIRMAN. Well, I would agree with that statement.



We have also heard it said, and this I quote out of a financial paper, that—

Mortgage warehousing is bad because it uses short-term commercial capital to finance long-term mortgage financing, short-term capital to finance long-term mortgage financing.

Mr. CARLL. Well, it is true, it takes some of the short-term money the banks have. If they didn't lend it there they might lend it in some other avenue, yes. If you don't have money you don't lend it. But unless you are going to change the picture and have the permanent investor appear at the settlement, as they normally did before your FHA and GI mortgages, they appeared at the settlement and put up their check, but then you get down to a local business and how am I going to sell my mortgages out in Keokuk, Iowa, or over in New York City, even?

The CHAIRMAN. Or Gadsden, Ala.?

Mr. CARLL. That is right; if I have to make them come in and put up their check at settlement.

The CHAIRMAN. As a comment, I am afraid that people generally away from the financial centers don't understand that the mortgage warehousing arrangement possibly has more effect in getting money into the remote areas of the country than nearly any other financial arrangement we have; isn't that correct?

Mr. CARLL. It wouldn't surprise me.

The CHAIRMAN. In summing up, you would say that from the commercial bankers' point of view, that warehousing is good, sound business?

Mr. CARLL. Yes, sir.

The CHAIRMAN. And that it is a needed and necessary financial arrangement for the building of vast projects of houses?

Mr. CARLL. I think it is a very essential part of the whole scheme.

The CHAIRMAN. Now, what do you think about the general credit restrictions of bigger downpayments and shorter mortgage terms?

Mr. CARLL. I don't object to either one of those. You may sell less houses, but that is sound.

The CHAIRMAN. Well, that is sound from the money point of view, but is it sound for the fellow who needs the house?

Mr. CARLL. Well, of course, probably not. I don't know what the statistics really show, but I have heard some mortgage investors tell me they have more delinquencies in no downpayments than they do where there is some downpayment. Psychologically a downpayment is good.

The CHAIRMAN. We hear here in Philadelphia that mortgage money is getting tight. Is it?

Mr. CARLL. Mortgage money is tight; yes. Construction money is tight.

The CHAIRMAN. Why is it tight? We are here in an era of vast production, full employment, the best profits that any corporations have ever had, the highest wages. The only fellow in the country who is suffering is the farmer. He is going down all of the time, but outside of him everybody else is on top. Now, why is money tight?

Mr. CARLL. I cannot tell you why money is tight.

The CHAIRMAN. Isn't it because of arbitrary action on the part of the Treasury in failing to support the bond market at par?

Mr. CARLL. That is the only thing I could say, the Federal Reserve and Treasury action.

The CHAIRMAN. Well, that sticks a pin in the balloon of the fellow who has always said that mortgage money is governed by a free and open market, and not by the Government action. It actually is governed by Government action.

Mr. CARLL. Certainly money comes under the powers of the Congress. There is no doubt about it.

The CHAIRMAN. And the ups and downs of the Federal-bond market determines the type or looseness of money; isn't that correct?

Mr. CARLL. It certainly influences it.

The CHAIRMAN. I know here from one of my staff members that you made the first FHA loan made in Pennsylvania by a bank; is that correct?

Mr. CARLL. By a State bank; yes, sir.

The CHAIRMAN. When was that?

Mr. CARLL. Well, it was probably 10 days or 2 weeks or so before the enabling act.

The CHAIRMAN. Back in 1935?

Mr. CARLL. That is right; before the Pennsylvania enabling act. You see, the national banks didn't need an enabling act. The State banks did. It took 48 States to approve it.

The CHAIRMAN. That is going way back.

What has been your experience with people generally who bought homes under FHA and VA? Are they good at paying and are they good loans?

Mr. CARLL. Yes; they are good loans. I haven't foreclosed on very many. Perhaps 2 or 3 GI loans in the whole period. I have had experience with two different institutions. Perhaps three FHA mortgages, which I think is remarkable. Actually, that is due to your monthly payment. You pick up your delinquencies sooner. The VA is always very cooperative in helping your commandeer the delinquent, and they can correct a small delinquency much easier than they can one that has run on—for instance, we used to collect our interest every 6 months, and if you had 6 months' interest delinquent plus a year's taxes, then you were in trouble. On these things they pay their taxes one-twelfth each month.

The CHAIRMAN. Do you see any way whereby those charged with the responsibility of not only getting homes for those people who come to your bank to get a mortgage guaranteed by FHA and VA under the present arrangement, but do you see any way whereby we could extend credit terms in the light of the wonderful payment record made by both VA and FHA, many of them with no down payments, that we could extend the years over which the mortgage would run and lower the downpayment to where we could reach still another class that presently is excluded because they cannot hit the financial rating necessary to get a loan today?

Mr. CARLL. That has possibilities. I think the ultimate investor is the one that has to be educated on that, however.

The CHAIRMAN. Is our answer to be found by working with private investors in the country, or is it to be found in direct loans from the Federal Government?

Mr. CARLL. Well, I don't like to see direct loans from the Federal Government.

The CHAIRMAN. I don't either, but I am asking you.

Mr. CARLL. Because the more Federal Government gets into business the less there are left of us to tax to run the Government with.

The CHAIRMAN. I realize all of that, and I am inclined to agree with you, but I am looking, and this committee is, for someone in the business as you are to give us at least a lead toward the answer of what we can do in cooperation with private enterprise. When I say "we," I mean the people's elected representatives in Congress, so private enterprise can reach down a step lower and still be safe and do a job for some people that we are not doing it for now.

Mr. CARLL. Well, I don't know. I couldn't tell you to begin with whether that need is necessary or not.

The CHAIRMAN. All you have to do is look around Philadelphia. I see so many people here that need to live in some other type of place than what they are living in.

Mr. CARLL. Well, all right, I will agree with that. But I cannot see anything particularly wrong with it as long as you keep full employment so people can pay.

The CHAIRMAN. What about extended mortgages, from 45 to 50 years?

Mr. CARLL. Well, I don't know.

The CHAIRMAN. With a Government guaranty.

Mr. CARLL. With a Government guaranty it is all right, but it seems to me a man should own his house some place during his life, and that stretches it out pretty much.

The CHAIRMAN. Well, that is the goal of all of us, but actually many people never get to own their houses outright, and you will agree without these Government guaranties there are many people who would never own a house today.

Mr. CARLL. They would still be tenants; is that right?

The CHAIRMAN. Here is something that has struck me from a lot of witnesses who have appeared. They have told us that even though it is a 25- or 30-year mortgage, the average life of a mortgage in this country is only 10 years; is that correct?

Mr. CARLL. Yes; a few years ago they used to buy them on a basis of only 8 years, in measuring their yield.

The CHAIRMAN. In other words, they would either refinance it or pay it off within a 10-year period?

Mr. CARLL. That is right; they prosper and move on and pay their mortgage off, and maybe acquire another one on another property, but your average life of a mortgage through whatever cause, death or otherwise, they used to purchase a few years back, I know, on the basis of 8 years to calculate their yield.

The CHAIRMAN. But 10 years is not too long to realize the termination of a mortgage?

Mr. CARLL. That is right.

The CHAIRMAN. I have enjoyed talking with you, Mr. Carll.

Any questions, gentlemen? Mr. O'Hara?

Mr. O'HARA. Mr. Carll, the figures given me by our staff state as of August 10, 1955, that 40 banks had \$1,310 million outstanding in loans to real-estate mortgage lenders as against \$573 million a year ago; that is an increase of about a hundred percent.

Mr. CARLL. That is right.

Mr. O'HARA. And at the same date had commitments outstanding to extend about \$1,262 million of additional credit to real-estate mortgage lenders.

Mr. CARLL. That is correct.

Mr. O'HARA. That would seem to indicate a tremendous increase in the volume of warehousing, would it not?

Mr. CARLL. Yes, sir.

Mr. O'HARA. Now, what profit is made in this warehousing? That profit comes from money paid by the ultimate consumer, does it not?

Mr. CARLL. Who pays the price?

Mr. O'HARA. The one who gets the home, the consumer?

Mr. CARLL. Well, he is not penalized for it.

Mr. O'HARA. Well, warehousing isn't done for charity, is it?

Mr. CARLL. Your buyer of the home is not penalized for that warehousing.

Mr. O'HARA. Then explain to me.

Mr. CARLL. He pays his regular monthly payment on that mortgage after it is created, and that is all. He is not asked to pay anything to take care of the expense of the warehousing. The present rate for the banks today is probably 4 percent, and your coupon rate is 4½ percent, so there is still a half point left.

Mr. O'HARA. I want to understand. The man who buys the home and gets a mortgage pays a mortgage premium, doesn't he?

Mr. CARLL. Yes.

Mr. O'HARA. What is that, generally, 4½ or 5 percent?

Mr. CARLL. Four and a half on FHA and GI today, plus a half percent MIP on your FHA mortgage.

Mr. O'HARA. Now, before that, during the warehousing period, the bank is paid some interest in addition to that for the service of warehousing, is it not?

Mr. CARLL. No, the bank is paid for its warehousing with that interest that the purchaser pays.

Mr. O'HARA. So that there is no additional charge at all because of warehousing?

Mr. CARLL. Not to the buyer of the home.

Mr. O'HARA. I wanted to get that clear in my mind.

Mr. CARLL. That is right.

Mr. O'HARA. Then when the mortgage is sold at 95 cents on the dollar that increases the mortgage rate paid, doesn't it, by the consumer? Does it or doesn't it?

Mr. CARLL. That wouldn't amount to anything.

Mr. O'HARA. Well, somebody takes the loss between a hundred percent and 95 percent.

Mr. CARLL. Somebody takes it, yes. Of course, on a GI mortgage it is generally taken by the broker or somebody else. The GI doesn't suffer outside of the 1 point.

Mr. O'HARA. Doesn't any part of it reflect upon the GI who is buying the home?

Mr. CARLL. I don't think so.

Mr. O'HARA. It isn't quite clear in my mind because nobody is in this for charity. You are getting a service, and all that sort of thing, but when a mortgage is sold at 95 cents on the dollar, and not a hundred cents on the dollar, somebody has to absorb that loss between a hundred percent and 95 percent?

Mr. CARLL. Well, of course, if the builder assumes the cost, and then you say all of his costs are somewhere in his price that he sold the house for, of course I would probably have to agree with you, like the salesman's overcoat is in his bill somewhere to the boss, but you cannot find it.

Mr. O'HARA. Then you will agree with me that no matter what the device is, this difference between a hundred percent and 95 percent is paid by the man who gets the house?

Mr. CARLL. Well, I think that is obvious.

Mr. O'HARA. It wasn't obvious to me, or as Mr. Ashley remarked, to either of us.

Mr. CARLL. I think it is obvious when a builder makes a deal he sells his mortgages for 95 because he has to assimilate that out of his expected profit.

Mr. O'HARA. Now, these are mortgages insured by the Government, are they not?

Mr. CARLL. GI's and FHA's are, yes.

Mr. O'HARA. Then why should the private financial group sell any security that is guaranteed by the United States Government at 95 cents on the dollar.

Mr. CARLL. The only thing I can say to you is we deal with United States Government bonds at above par and below par. That is one of the most valued of all securities we have, and when we come down to securities I don't think mortgages are any more sacred than Government bonds.

The CHAIRMAN. The below par Mr. O'Hara is talking about is frequently absorbed by the builder, himself, out of his profits.

Mr. CARLL. That is right.

The CHAIRMAN. And the usual deal on GI or FHA is a 1 percent discount rate.

Mr. CARLL. Yes. Of course, he is asking me to say it is added on to the price of the house, and the answer is the builder taking less profit than he expected or not. And you would have to analyze the job to find out whether he took a less profit than he expected.

Mr. O'HARA. I would hate to feel that we are allowing such profits to the builder that he can absorb it out of his profits and still have enough left to make it a profitable business, enough to absorb Government guaranteed loans selling at 95 cents on the dollar.

Mr. CARLL. Well, of course, that is the American economy. I remember when there used to be a lot of money in the hosiery business, but not any more.

Mr. O'HARA. I found in some of the testimony today, I don't think yours, but banks are charging a 1 percent servicing fee, and if later on they don't make the loan they still retain that 1 percent service fee.

Mr. CARLL. You are talking about a builder's commitment, a take-out commitment, I assume; is that correct?

Mr. O'HARA. Well, I would say that 1 percent of a \$2 million commitment is a lot of money, especially when it ends up with no loan, 1 percent for a zero.

Mr. CARLL. I know, but that is what you are talking about, aren't you, a builder's commitment, a commitment to take the builder's mortgage and make a charge of 1 percent for it?

Mr. O'HARA. I have appreciated listening to your testimony. I must say that I have not been convinced that our banking institutions in financing the money necessary for construction haven't been generously looking out for themselves in regard to warehousing.

Mr. CARLL. You are talking about something entirely different. I think you are talking about a commitment the builder asks me for to take his mortgages. He doesn't know whether he is going to sell them to me or not. If he can get a better deal he will go some place else, but he will pay me for a commitment so he can take it to the company that is going to finance his construction and get the construction money. He pays me for a commitment so he can do it. That is something entirely different from warehousing.

Please don't confuse it.

Mr. O'HARA. Now, I trust you will be patient with me because this is a field that you know so much about and I know very little, and I merely am seeking a little information. Institutional warehousing, as I understand it—here is an insurance company, for instance, that has set aside, we will say \$50 million, and it figures next year it is going to set aside a hundred million dollars, so through warehousing it provides for the expenditure of the money that it is going to have available next year; isn't that approximately it?

Mr. CARLL. Well, I said that warehousing was in three categories. In the first place, you have the one that I spoke of in particular, where the mortgage house deposits its papers against a legitimate commitment to pick up the mortgage as soon as he can assemble all of his papers, which could be 90 days away. It could be not more than 3 weeks or 60 days away. But it may run into 6 months.

You ought to have everything cleaned out that he puts in there over a 6-month period. That should be the maximum. Then you have what I call a repurchase agreement, and then you also have warehousing for future delivery. There are three different types. The Prudential was what I called a repurchase agreement. They sold \$360 million worth of mortgages to a group of banks on a repurchase agreement that they are buying back at some future date. Your future delivery is planning your available money that you spoke of, \$50 million this year, and maybe \$75 million next year, and so on, and you pass that out in allotments, and that is warehoused by some bank until that period comes along in 1956 or 1957 when they have agreed that they would pick them up.

Then they issue their commitments that way, one insurance company that I know of will issue their commitments to pick them up in 1956 or 1957.

Mr. O'HARA. That was explained to us satisfactorily by the spokesman for one of the insurance companies in New York. As I got the picture warehousing provided immediately the money the company expected to have available next year.

What is in my mind is when we reach the end of the trail will it operate so that because of warehousing we may reach 1957 or 1958 or 1959 and all of the buying power has been consumed because of warehousing? What is the answer to that question?

Mr. CARLL. I don't know, but it would have some effect because you have used your mortgage money up in advance. It would have some effect. Of course, they are anticipating, I believe, that there may not always be quite as much demand for mortgage money as

there has been in the last couple of years, but I don't know what they are basing it on.

Mr. O'HARA. Wouldn't you say it is along the line of our present consumer credit which is bolstering our economy? Our buying power is coming from mortgaging wages yet to come.

Mr. CARLL. Our whole economy is built on that, purchase of homes, consumer credit. Even Uncle Sam issues bonds.

Mr. O'HARA. I just wanted to get the information in my mind.

Mr. CARLL. Yes, sir.

Mr. O'HARA. Thank you very much.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. I just have one question for me, in an effort to clear this in my own mind.

Warehousing, as it is presently practiced, does constitute, does it not, a cost factor which will show up in the price of future houses which go through the mortgage procedure? In other words, a house—

Mr. CARLL. You mean, is the price of it passed on to anybody?

Mr. ASHLEY. I am sorry, I didn't hear your question.

Mr. CARLL. You mean, is the cost of warehousing passed on to anyone?

Mr. ASHLEY. Well, my question was, isn't it true that warehousing constitutes a cost which has to be reflected just exactly as the cost of nails or boards or what have you?

Mr. CARLL. Well, not exactly, no, because if you buy a security and hypothecate it with the bank, and you get enough dividends on that security to pay your interest, it doesn't cost you anything, does it?

The CHAIRMAN. Well, Mr. Carll, I believe that is what they want to know, and I think this is evident, that when a mortgage company comes to the bank and makes a warehousing arrangement for mortgages they are going to pick up 60 days from now as soon as the mortgages are closed, or 90 days from now, you charge that mortgage company, or the ultimate holder of the mortgage, a certain percent of interest on the money.

Mr. CARLL. That is correct.

The CHAIRMAN. That is interest charged, just like interest will be charged when the loan is finally completed?

Mr. CARLL. That is right.

The CHAIRMAN. In other words, from the day he gets the commitment he pays interest on the money or else the mortgage company takes it out on the builder?

Mr. CARLL. That rate has fluctuated from 3½ to 4 percent, and your coupon rate has fluctuated from 4 percent to 4½. Your GI mortgages were 4 percent. There has always been at least a half-point spread in that interest rate.

The CHAIRMAN. But it is a cost reflected finally whether it shows up or not in the final purchase of the house?

Mr. CARLL. I wouldn't say so because your buyer is going to pay that, anyway.

The CHAIRMAN. Well, somebody is going to pay that. Either is going to cut off—

Mr. CARLL. All right, suppose I buy my house on the first of this month. I am going to pay interest from the first of this month.

The CHAIRMAN. That is correct.

Mr. CARLL. Now, what is the difference whether I pay that interest to the ultimate purchaser of my mortgage or whether I pay it partly to the bank that warehouses it and partly to the mortgage servicing company?

The CHAIRMAN. Not one bit. It is paid, but there is no difference in whether you paid it to the original mortgage holder or to the bank or warehouse.

Mr. CARLL. The rate is the same for the buyer of the house.

The CHAIRMAN. That is correct; in other words, the payment is the same whether it is paid directly or paid directly to the mortgageholder or paid to the bank.

Mr. CARLL. That is correct.

The CHAIRMAN. Thank you very much. We appreciate your appearing before us.

Mr. CARLL. Thank you, sir. It was a pleasure.

The CHAIRMAN. The last two witnesses are together, Mr. J. P. Eter Williams, president, and Henry Bossert, Jr., chairman, division of aging, Health and Welfare Council.

Come around, gentlemen.

I want each of you to identify yourselves for the record. Are you going to do the testifying, Mr. Bossert?

Mr. BOSSERT. Yes.

Mr. WILLIAMS. I would be glad to identify Mr. Bossert for the committee.

The CHAIRMAN. You may proceed.

**STATEMENTS OF J. P. ETER WILLIAMS AND HENRY BOSSERT, JR.,  
DIVISION OF AGING, HEALTH AND WELFARE COUNCIL, PHILADELPHIA, PA.**

Mr. WILLIAMS. If I may make a preliminary statement, Mr. Rains. I am president of the Health and Welfare Council of Philadelphia, Montgomery and Delaware Counties. My name is J. P. Eter Williams. That agency constitutes some 300 voluntary agencies, 63 of which are concerned with the problems of the aged.

In our general work, and particularly in the work of the division of the aged, we have found that lack of housing is one of the most serious problems. Some months ago at the request of that division of the aged, of which Mr. Bossert is chairman, a study was made under the aegis of the Philadelphia Housing Association. They reported back to Mr. Bossert's committee, and it is because our council is so directly concerned with this problem, being made up of groups of agencies supported by both the voluntary dollar, the tax dollar, the county, State, and city, that we have asked for an opportunity to come before you today, and I am asking Mr. Henry Bossert, who is the personnel director of the Provident Mutual Life Insurance Co., and also the chairman of the division of the aged, to make a statement on behalf of the division of the aged today.

The CHAIRMAN. Very well; we will be glad to hear from him.

Mr. BOSSERT. As Mr. Williams said, we have a study which was made by the Philadelphia Housing Association, through its committee on housing for the aged, which is one of the most recent things, and we think one of the most authoritative things in this field.



Mr. BARRETT. May I interrupt for a moment? We are very much interested in this subject, and can just about hear you. Could you speak a little louder, please?

Mr. BOSSERT. Yes, sir.

We asked the Philadelphia Housing Association to make this study. We asked them about a year ago, and their results were made available earlier this year.

I mention that to indicate how recent the information is, and I am going to quote very freely from it in the remarks I have to make.

I think you might be interested in the caliber of the people on the committee. The committee was a subcommittee on the Philadelphia Housing Association; was chairmanned by Miss Ella Harris, who is a board member of the Philadelphia Housing Association. There are 22 members of the committee, and at the risk of boring you I want to mention who they are.

Dr. Margaret Bishop of the research department of the Philadelphia County Board of Assistance;

Mr. Hans Blumenfeld, planning consultant;

Mr. Francis Bosworth, executive director of the Friends Neighborhood Guild; and Mr. Bosworth is also a member of the committee or division on the aged;

J. J. Braceland, vice president of the Philadelphia Saving Fund Society;

Mr. Henry S. Churchill, architect;

Mrs. Esther C. Forsstrand, consultant of the division on the aging, Health and Welfare Council;

Leila E. A. Fuhrman, retired field director, nonresident department, Lutheran Home.

Mr. Pearce M. Gabell, realtor and board member, Philadelphia Housing Association;

Elfriede F. Hoerber, research director, Philadelphia Housing Association;

William W. Jeanes, vice president, Philadelphia Housing Association;

Winifred Johnson, supervisor, division of services to adults, Philadelphia Department of Public Welfare;

John Park Lee, director, division of welfare agencies, board of pensions in the Presbyterian Church in the United States;

Dr. Maurice E. Linden, director, division of mental health, Philadelphia Department of Public Health, and Dr. Linden is also a member of the advisory committee of the division on the aging;

Thomas J. McCoy, assistant executive director, Philadelphia Housing Authority;

Dr. Carleton C. Richards, board member of the Philadelphia Redevelopment Authority;

Dr. Arthur M. Rogers, associate professor of clinical medicine, University of Pennsylvania;

Edward L. Stanley, associate manager, mortgage department, Provident Mutual Life Insurance Co.;

Emil A. Tiboni, chief housing hygiene section, Philadelphia Department of Public Health;

Dr. Milo Upjohn, director, family counseling service, Episcopal City mission;

David A. Wallace, director of planning, Philadelphia Redevelopment Authority;

Rosa D. Wilkins, assistant manager, Joint Council No. 79 and No. 246, International Ladies' Garment Workers Union; and

Catharine S. Zimmerman, executive director, Family Counseling Service, Camden, N. J.

I apologize for reading such a long list, but I think that you should know.

The CHAIRMAN. I am going to ask that this book be included, even though it is a bit long, in the record as a part of the hearings after your statement, the entire booklet.

Mr. BOSSERT. Thank you. I believe there are copies also for the press.

Mr. BARRETT. We have the author of H. R. 3919 here, Mr. O'Hara.

The CHAIRMAN. We will be glad to have your statement.

Mr. BOSSERT. The committee, as it says in its report, concerned itself with the housing needs of persons of low and moderate incomes who prefer and are capable of living independently in the community. I am going to talk in these few minutes about aged persons with the understanding that we mean persons aged 65 and over. I understand there might be some debate about whether "aged persons" is a proper designation for such an age bracket, but for our purpose we will use that term.

I also want to point out that the statistics used in this booklet, and which I will quote, are statistics having to do with the city of Philadelphia, but the Health and Welfare Council, as Mr. Williams said, has also an interest in Delaware and Montgomery Counties, and we feel there are counterparts in those two counties, even though the statistics we quote will be just for the city of Philadelphia.

First, about the number and composition of the aged population we are talking about: In 1950 there were 161,000 people in this aged bracket in Philadelphia, and between 1910 and 1950 that particular age bracket had increased 173 percent. Now, I realize that percentage doesn't mean a lot unless you have something to compare it with. Well, here are some comparisons. In the age bracket 45-64 the increase during the same 40 years was 91 percent, or about half what it was in the aged bracket.

The CHAIRMAN. Let me get that clear in my mind. Is that percentage-wise, or are those figures a little bit amplified because of the increase in population?

Mr. BOSSERT. That is percentage increase.

The CHAIRMAN. In other words, people are living longer?

Mr. BOSSERT. That is the reason for this spiral, yes. In the age bracket 15-44, the increase during those years was only 18 percent, and in the age bracket under that it was only 11 percent, indicating the rapid increase in the aged bracket.

Another interesting characteristic of this group is that a very large proportion are females. Fifty-seven percent are females, 43 percent males, in this population, indicating that the females, of course, as we know, live longer than males in that age bracket.

Another interesting static is that 56 percent of these females were widows and another 14 percent were single women or a total of 70 percent women who were without spouses.

Now, about the living accommodations of these people. Ninety-three percent of them lived in homes in their own homes, households, and only 7 percent in institutions and lodging houses. However, those who lived in their own households were not necessarily in their own households. They were living in a household. As a matter of fact, a quarter of the men and over 40 percent of the women living in households were not living in their own households.

Among the aged persons owning and occupying their homes in 1950, 8 percent lived in housing which was either dilapidated or lacking essential sanitary facilities. Again that percentage doesn't mean very much unless you have something to compare it with, so by way of comparison we have noted here that the corresponding percentage for persons under 65 was less than 6 percent, as compared with in excess of 8 percent for the aged bracket.

Furthermore, among the aged persons living in rented dwelling units, 28 percent of those dwellings, found by this committee, were substandard. What about the incomes of these people? The incomes of these aged people are low. We have some 1949 statistics in this report. The median income for these aged males was \$1,857 a year, and for the aged females \$780 a year.

By way of comparison, the median income for all males of 14 and over was \$2,841, or about a thousand dollars more than for the aged, and median income for all females was \$1,479, or about \$700 more, about double for the female aged.

Naturally, a committee of this caliber which spent this length of time making this study couldn't help reaching certain opinions and findings. The committee found that there was virtually no housing in the Philadelphia area for older persons which takes into account their special needs, and in a few minutes I want to mention what we think some of the special needs are for older people.

The committee also found that the most important problem in their opinion was the disparity between the cost of housing and the ability of the older people to pay for it, and that is why the problem is so difficult to solve through the ordinary private housing projects.

The committee was of the opinion that suitable housing for aged people would reduce the need for more costly institutional facilities. Out of all of this study they reached two major conclusions which we think are germane to the kind of thing you gentlemen are interested in. One of those was that single persons aged 65 years of age and over, or groups of 2 or more unrelated persons in the same age bracket, should be eligible for low-rent public housing projects. Our understanding is that they are not so eligible today and probably to make them eligible would require a revision of the Federal interpretation of the family.

The CHAIRMAN. You mean if they fit in incomewise? You are not talking about a widow, 65, for instance, who has half a million dollars.

Mr. BOSSERT. No; I am talking about people who are needy.

The second major conclusion this committee reached was that housing units for aged people should be designed specifically for them. I said I would like to say a few words about what that means. Well, it means providing ground-floor locations where the climbing of stairs is not a problem, or locations where if there are a few steps, with ramps for getting up to the level of the home. It means convenience

to transportation, stores, churches, recreation. It means having a few one-room units for elderly people who are living alone. It means arranging aged people in groups, not necessarily isolating all of the aged in one spot, but arranging them in groups for sociability.

Mr. BARRETT. Let me ask you a question: Don't you think if you located them all in one area it might give them a feeling or a sense of being institutionalized?

Mr. BOSSERT. I believe this committee feels it is more likely to do damage to their morale by segregating them, whereas if they could be housed in groups but not segregated from other age groups it would be an advantage.

Mr. BARRETT. Do you have any idea of what percentage would desire segregation?

Mr. BOSSERT. I have not; I am sorry.

I might say with us here today are two people who are experts in this field, and that question may be one they may answer—Mr. Sidney B. Markey and Mrs. Esther C. Forsstrand are both members of the council. I wonder if they would care to express an opinion on that?

Mr. MARKEY. I don't believe there has been any percentage figure arrived at along the lines of your question, Mr. Barrett. The fundamental, as Mr. Bossert has indicated, is that they want to live in a normal setting in terms of a community of all ages and with accommodations so they can fit into the community.

Mr. BARRETT. I understood that, but by the same thought I was wondering if they were—let us use the word "projects" for illustration—you wouldn't want one section of that project to be set aside for handicapped or aged persons?

Mr. MARKEY. Well, let us take Tasker in South Philadelphia, your own bailiwick. There could be a percentage, but I think the problem would be to get a percentage so you would have something like normal living in the Tasker homes. It would be dangerous to establish any percentage.

The CHAIRMAN. You may proceed.

Mr. BOSSERT. There are several excellent publications in this field, and two of them are named in the reports which you have, and one of them is Standards of Design, Housing for the Elderly, and that is published by the Massachusetts State Housing Board, and the other is Housing and Aging Population, published by the American Public Health Association.

As you know, we are leaving with you copies of the report. Most everything I have said is in there, and many things I have left unsaid, and if there are questions we can answer we will try.

I am glad that we have some experts with me because I am sure you can ask me some questions I won't know the answers to.

(The material referred to by Mr. Bossert is as follows:)

#### HOUSING FOR THE AGED

#### REPORT AND RECOMMENDATIONS

Committee on Housing for the Aged, Philadelphia Housing Association, May 1955, chairman, Ella F. Harris, prepared by Elfriede F. Hoeber

The Philadelphia Housing Association's Committee on Housing for the Aged was established in the spring of 1954 following a request to the association by the Health and Welfare Council's division on the aging for a review of the housing problems of aging persons.

The committee concerned itself with the housing needs of older persons of low and moderate incomes who prefer and are capable of living independently in the community. The committee also considered policies and practices which affect the quantity and quality of private and public housing available to older persons.

The committee is agreed that the housing problem of older persons is closely related to the housing problems of the community at large, that significant progress in providing housing for one segment of the population largely depends on the progress made in providing decent housing for everybody.

#### *The housing problem of the aged*

The committee feels, however, that there are several factors which justify consideration of special programs designed to improve housing conditions for older persons. The aged, defined generally by the committee as persons 65 and over, are a rapidly growing segment of the population. Aged persons have doubled in number in Philadelphia during the last 20 years and will continue to increase in absolute numbers as well as in proportion to the rest of the population.

The proportion living in unsuitable housing is larger among the aged than among the rest of the population.

Women outnumber men substantially in the older age groups, and there is a high proportion of single, widowed, and divorced persons, especially among the women.

There is virtually no housing available which takes the limitations and special needs of older persons into account.

Because of the low average incomes of older persons, there is a frequent disparity between the cost of adequate housing and the ability of older persons to pay for it, a factor which the committee regarded as the most important obstacle to decent housing for older people.<sup>1</sup>

The committee believes that the major housing requirement of the aged is a substantial increase in the number of small apartments at low rents; that these apartments should be equipped for the special needs of older persons; that they should be available to the numerous persons living alone as well as to couples and groups of two or more unattached persons; that the provision of such housing would materially reduce the need for increasing the more costly institutional facilities.

#### *New private housing*

The committee is doubtful that private housing built for profit can produce housing for older persons at rents low enough for those older persons living on low and moderate incomes. The lowest apartment rents achieved in recent years by private builders generally exceed the paying capacity of the majority of older persons in need of such housing.

The committee concluded that the financing provision currently available for cooperative housing under title 213, FHA, represent the most advantageous conditions because the lower interest rate and a longer amortization period, combined with a downpayment, produce lower monthly carrying charges than prevail in other rental housing.

A subcommittee under the chairmanship of Mr. J. J. Braceland conferred with the Federal Housing Administration for the purpose of developing plans for a small development of efficiency units with rents expected to be not much higher than \$40 a month. The project is still in the drawing board and consultation stage and will be further pursued. Once a feasible project is developed, it will be necessary to find institutional or other sponsorship for the building and management phase. Among groups most likely to be interested in the sponsorship would be labor unions, retired employee associations, and established nonprofit homes for the aged.

The committee believes that the potentialities of title 213 probably can be best realized in cooperatives composed of persons in the preretirement group, for it will be easier to find qualified participants among persons whose income has not yet been reduced; that cooperative housing may result in satisfactory housing for older persons in the income level somewhat above public assistance.

*Recommendation 1:* Further exploration of the potentialities of title 213, FHA, for the purpose of developing a demonstration project of apartments for older persons to determine the lowest possible rents, and to discover the problems inherent in the operation and maintenance of such housing.

<sup>1</sup> For more detailed data see the appendix and charts at the end of this report.

### *Apartment building by existing nonprofit homes*

There appear to be several new roles for the established nonprofit homes. They could act as sponsor-builders or owners of apartment developments and offer advantages not available through any other organization, particularly if the new facilities were reasonably near the existing home where the apartment residents would have access to the recreational and social facilities as well as to the housekeeping or nursing services. The sheltered facilities of the home could be available to apartment residents at the time when they can no longer live independently.

The provision of apartments for older persons capable of living independently would be a logical extension of the living-out, eating-in plan now available at some nonprofit homes.

The committee is not certain that apartments operated by nonprofit homes would be financially self-sustaining. It is likely, however, that lower rents can be achieved by nonprofit organizations than by commercial developers because of tax-exemption and absence of need for a profit on the investment.

*Recommendation 2:* Existing nonprofit homes for the aged, and other groups such as labor unions and churches, should be encouraged to engage in experimental operations.

### *Federally aided public housing*

The committee believes that public housing is essential for older persons who cannot afford suitable private quarters. The committee shares the conviction of many other groups throughout the country that current regulations which exclude single persons and groups of two or more unrelated persons from occupancy in federally aided projects must be rescinded so that public housing can play a larger role in meeting the housing needs of older people.

The committee expressed its views on the desirability of removing the restrictions against single persons in public housing to the appropriate congressional committee during the consideration of the Housing Act of 1954. However, the restrictions still prevail.

There will be approximately 1,300 1-bedroom apartments in the 19 permanent public housing projects in Philadelphia when current construction is completed. Older couples are accepted for occupancy (when there are no veteran applicants) and aged survivors are permitted to remain after the death of their spouses. The units are not especially designed for older persons but they are completely suitable for persons without disabilities.

The committee is gratified that several bills designed to make more federally aided public housing available to older persons have recently been introduced in Congress. One type of bill would remove the restriction against the admission of single persons to public low-rent housing in the case of persons 60 years of age and over. Bills of another type (the O'Hara bill, H. R. 3919, and the Sparkman bill, S. 1642) would also admit single older people; in addition they would authorize 50,000 low-rent units annually for 5 years for eligible elderly persons of low income.

In line with its findings the committee took cognizance of these bills with satisfaction, particularly of the O'Hara and Sparkman bills, because they would result in the production of additional housing geared to the special needs of older persons. In contrast, the use of existing public housing for single persons would solve the problems only for relatively few of those in need of better housing, and it would reduce the supply available to other groups similarly in need, particularly the large families.

*Recommendation 3:* All public housing should give adequate consideration to the needs of the older population, including single persons and groups of two or more unrelated individuals.

*Recommendation 4:* Legislation to provide a special authorization for low-rent housing for older persons (on the lines of H. R. 3919 and S. 1642, now pending) should be enacted.

*Recommendation 5:* The present regulations of the Public Housing Administration which exclude single persons from federally aided low-rent housing should be changed, at least in the case of older persons.

### *Redevelopment*

The committee learned to its satisfaction that the Philadelphia Redevelopment Authority recognizes the need for moderate cost accommodations for older persons and is planning to provide ground-floor apartments in its rehabilitation program as part of the Southwest Temple redevelopment proposal.

The committee welcomes this program especially because it will tend to provide housing for older persons in areas where they are now living. It urges the redevelopment authority to pursue this plan. The committee recognizes that the displacement of older persons in the redevelopment process requires special attention.

*Recommendation 6:* Redevelopment planning should give adequate consideration to the needs of older persons, both in new housing and in housing slated for rehabilitation. Where necessary, the value of the structures should be written down sufficiently to enable a redeveloper to provide accommodations for older people at moderate rents.

#### *Law enforcement and relocation*

The committee believes that the enforcement of the new housing code and of other regulatory codes can greatly contribute to the improvement of housing conditions under which older people live. The committee recognizes, however, that dislocation of older persons arising from code enforcement and other governmental improvement programs will pose special problems and require particular attention during the relocation process.

While it may be easier to find the small apartments needed for older persons than accommodations for larger families, the move from a familiar environment is often a greater emotional upheaval for older persons, particularly if there is a personal attachment to a neighborhood community facility. Older persons may be less capable in handling the mechanics of moving. An otherwise adequate apartment may be unsuitable because of the location, the necessity of climbing stairs, poor access to transportation, stores, churches, and recreation.

Older homeowners often do not have the funds for making code-required repairs and for proper maintenance. They may not find it possible to obtain repair loans through existing mortgage and loan channels.

There are a number of older persons whose residence is both shelter and source of livelihood because they sublet space or take roomers or boarders.

The extent of these problems is not yet known and the committee has asked Housing Coordinator Rafsky to study and report the effects of code enforcement on older persons in the so-called leadership areas.

*Recommendation 7:* Enforcement of minimum standards must be swift and thorough so as to eliminate unsafe and insanitary housing.

*Recommendation 8:* The department of licenses and inspections and the health department, which is making housing quality surveys, are urged to make publicly available all information they gather on the housing conditions and housing problems of older people, including descriptions of the effects of their programs on older persons.

*Recommendation 9:* The city-supported Central Relocation Service must give older persons the special assistance they need when they are dislocated by public action.

#### *State aid*

Pennsylvania—in contrast to other States such as New York and Massachusetts—has assumed very little responsibility for housing. So far, the only State-aided housing program is contained in the housing and redevelopment assistance law of 1949 which set up a fund of \$15 million, part of which was available for capital grants to rental housing for families of moderate income.

Judging by the Philadelphia examples, Penn Towne and Larchwood Gardens, the program has neither produced enough housing (350 units altogether) nor are rents low enough (\$55 for efficiency units at Penn Towne and \$62.80 for 1-bedroom units at Larchwood Gardens) to be of much help to older persons.

*Recommendation 10:* The Commonwealth of Pennsylvania must assume responsibility for increasing the supply of low and moderate-rent housing through State aid in order that a larger proportion of improperly housed families and single persons, particularly the aged, may obtain decent accommodations within their means.

#### *Planning considerations*

The committee believes that the provision of housing for older persons should be part of an overall comprehensive plan. Specific housing developments for older persons should be an integral part of a neighborhood, and therefore, should not be built in large "segregated" projects exclusively for older people. The desirable maximum and minimum size must be determined by local needs and circumstances, but congregations of more than 50 units would appear undesirable in almost any case. The situation may be different in the case of "retirement vil-

lages" designed primarily to meet the need of the able-bodied elderly of independent, if low, incomes. Housing for older persons would in most cases be best in locations where effective community services can be rendered, accessible to stores, churches, transportation. It should be in groups large enough for sociability, mutual assistance, and, again, for economical servicing.

As to the design and equipment of dwelling units for older persons, the committee refers to several excellent existing publications dealing with the matter, including *Standards of Design, Housing for the Elderly*, published by the Massachusetts State Housing Board, and the American Public Health Association's *Housing an Aging Population*.

#### *Factfinding and research*

The committee has been handicapped in its review of the housing problem of older persons by the absence of adequate current data on which to base policy considerations. Information on incomes is particularly inadequate.

In an effort to remedy this situation a bill has been introduced in the United States Senate by Senator Potter and joined in by 54 other Senators (S. 693) which would establish a United States Commission on the Aging. The purpose of the Commission would be to define the various problems of the aging, including housing and living arrangements, and to propose solutions.

Recommendation 11: Pending bills and similar legislation should be enacted to provide facilities for comprehensive factfinding and research into the total needs of older persons, including housing.

Recommendation 12: A Pennsylvania commission should be established by the Governor to maintain a continuing study of the problems of the older population, including housing.

The CHAIRMAN. Mr. Bossert, we appreciate that very good discussion of what is to us a very prime subject. Some of us made an effort to get some housing for the aged included in the recent housing bill in Washington, and because of the circumstances we were unable to do so. However, I think I should like to say for the record, and for your benefit, that housing for the aged is coming to have a great deal of support bipartisanwise across the Nation, and I am quite sure that we are going to see in the days to come some special emphasis in the Congress put on housing for the aged.

One of the leaders in that field sits on my right, the gentleman from Illinois, and I am going to yield to him the right to ask the first question.

Mr. O'Hara.

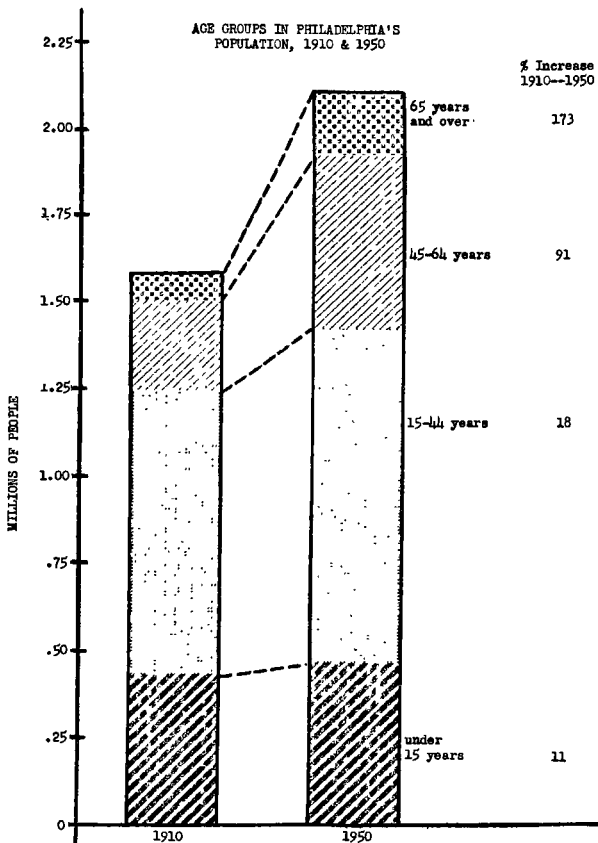
Mr. BOSSERT. Before Mr. O'Hara starts, I would like to say we appreciate what you said, and in coming here we would encounter very little opposition, so to say, because we know of the sympathetic spirit in both the House and the Senate to this question.

The CHAIRMAN. Now is the opportune time to strike.

Mr. O'HARA. I might say, Mr. Bossert, that those remarks come from the great generosity of our chairman. No one has been more the champion of housing for the aged than the chairman of this subcommittee, who has served seven terms in the House of Representatives with outstanding distinction and is beloved both by his colleagues and the people of Alabama.

It so happens the bill that bears my name is a joint project of 10 or 11 members of the Banking and Currency Committee of the House of Representatives. The response we have been receiving all over the country has been tremendous. It is not limited by party lines. Apparently there is a realization among all our people that with our growing aged population, with their limited means and their desire for a normal life, that people all over the country think there should be provided housing within their means, and especially built for their

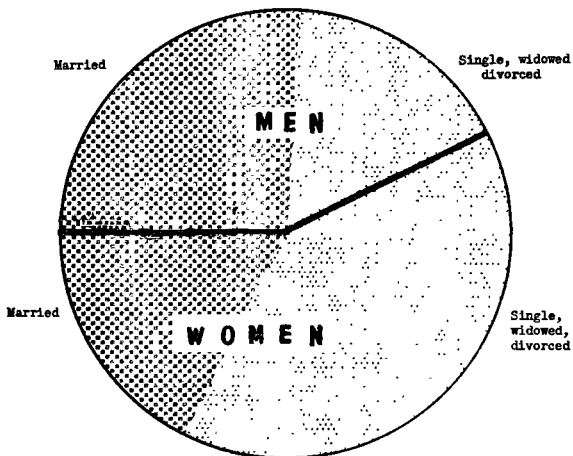




Source: U. S. Census

Philadelphia Housing Ass'n.  
May 1955

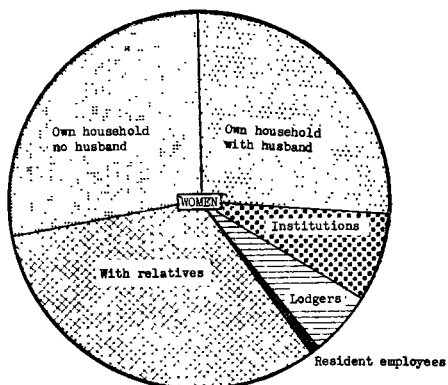
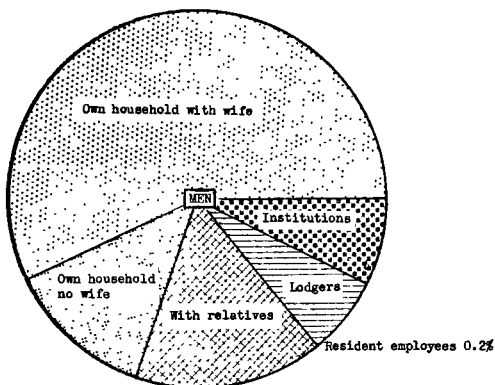
## PHILADELPHIANS 65 YEARS OF AGE AND OVER



Source: U.S. Census of Pop. 1950  
Vol. II, Part 38, Table 57

Philadelphia Housing Association  
May 1955

LIVING ARRANGEMENTS OF PERSONS 65 YEARS OF AGE AND OVER  
Philadelphia Standard Metropolitan Area: 1950



Source: U. S. Census of Pop. 1950  
Vol. II, PT. 38, Tables 58 and 60

Philadelphia Housing Ass'n:  
May 1955

physical requirements. There has been some amazing progress made in Colorado, for instance. A group there has worked together, the bankers, realtors, and churches, and everybody else, and they are building a project out there, a private project, with everybody cooperating to bring it about.

For instance, there is the problem when an elderly man and his wife are living together, and then one of them dies. They have in their program where the space occupied by them is adjusted to the

changed family. If there have been 2 rooms, it could be 1 room. There are many other things which show the study that people all over the country are giving to this very great problem.

I think that in the 2d session of the 84th Congress if all of us working together properly present the problem there will be such a political climate in the Congress that we will get the start on this program.

We must agree that at this stage it is necessary to have public housing, especially built and constructed for the aged, and there is much in what Congressman Barrett said. Some may not prefer being segregated among elderly people, although in that connection Israel has been conducting a most interesting experiment. They have a city entirely of the aged. They have a mayor of that municipality within the municipality. Nobody but the aged lives there. They run their own affairs, and from the most recent reports that I have received they have found that this reposing of responsibility has tended to rejuvenate those people, and they are taking on a new aspect of youth.

So I am not so sure that you have to have mixing of the aged with the young, but I do think, of course, that from the studies that you gentlemen are making and you ladies, and are being made all over the country, will come the right answer.

I want to thank you so very, very much for your contribution and assure you it is going to be helpful to us, most helpful, and now I am turning the questioning back to our great Congressman from Philadelphia, and when I say "great" I am telling you what we have found who work with him in the Congress and in committee. He works day and night. He is a great Congressman.

The CHAIRMAN. Mr. Barrett.

MR. BARRETT. I think his statement answers the question, Mr. Chairman. I have one other question: Have you given study to the paraplegics and the handicapped?

MR. BOSSERT. Yes. Not particularly contained in this volume to any extent.

MR. MARKEY. Is your question, Mr. Barrett, in terms of needs of the handicapped?

MR. BARRETT. Housing for the handicapped and the paraplegics.

MR. MARKEY. Yes; we have a whole section of our organization that is devoting its time to that study, and has a request in Washington now for a special program for the rehabilitation of the handicapped which includes the aged handicap as well.

Mrs. FORSSTRAND. May I add a comment to that?

The CHAIRMAN. We would be glad to hear from you.

Mrs. FORSSTRAND. We are talking about older people who are healthy and happy and can live useful lives if given the housing they need, and the proper health measures. Last year in Sweden I had opportunity to visit many of their units of housing and visit with the older people as well as their administrators, and now in Sweden they say to my question that I admire their housing for their older people, and Dr. Bergman, the director of all welfare of the State of Sweden said, "No, Mrs. Forsstrand, we do not have housing for our older people. We have housing for our people."

MR. BARRETT. Well, in order to get housing for all of the people we have to outline the types of people, and then when we get the housing for them we have housing for all people.

But we are extremely interested in the poor family who has a father or mother who is a paraplegic, and needs some motivation to get around.

Mrs. FORSSTRAND. May I illustrate the need of older people by a story that happened around the Lighthouse, which is a settlement house in Kensington. These two older women had lived together for years, and they were cleaners. They reached retirement age. They no longer could live in their apartment because they could not climb the three flights of stairs. Under retirement they did not have sufficient money to pay for another apartment to meet the standard they wanted. They had no family. They were each other's family. But they were turned down in Philadelphia by the Public Housing Authority because they were not eligible, they were not considered a family. This is the group we are thinking of.

The CHAIRMAN. That shows the great need for this particular type of housing.

One question, Mr. Bossert, and then I yield to Mr. Ashley. I hear that the Dominion of Canada has a well worked out, sound, working program of housing for the aged. Do you know anything about that, or not?

Mr. BOSSERT. I am sorry, I do not. Maybe one of our experts does.

The CHAIRMAN. Does anybody here know anything about it?

Mrs. FORSSTRAND. I question it unless they have done it within the past 2 years because 2 years ago an architect and city planner came to Philadelphia from Toronto asking about our plans for housing older people, and that they recognized the need, and they were going to do something about it, but I think it was something just in the planning area at that time.

The CHAIRMAN. I have heard that statement in Washington by Members of Congress and other people who check back and forth.

You gentlemen are doing a good job statisticswise. If you get a chance to check into it drop us a note on what you find out.

Mr. BOSSERT. I would be glad to.

The CHAIRMAN. Mr. Ashley.

Mr. ASHLEY. I have little to add. I was interested, Mrs. Forsstrand, in your statement that you were told in Sweden that they did not distinguish between housing for the aged people, that what they had was housing for the people. I think that, of course, is the approach that we are trying to make, a broad approach.

I think, perhaps, it is because the housing in Sweden is nationalized, as distinguished from the housing industry in this country, that—

Mrs. FORSSTRAND. I don't think so. It is to a greater extent. I do have those figures, but it was a large percentage of the housing that is by private enterprise, and they told me—I was a member of a gerontological study tour in western Europe last year, and Dr. Bergman told us in Sweden that when they first built these segregated cities and realized from studies that the older people didn't like it, and the younger families missed the older people for baby sitters, and what not, and now what they do, when a private enterprise is building a big apartment building they ask that private enterprise to set aside a certain number of apartments for the old-age pensioners as they call them, and then they say according to the area what the rate of rent shall be, and the Government subsidizes that private enterprise build-

ing so that they are able to rent it at the amount which the pensioner can pay.

Mr. ASHLEY. Yes.

Mrs. FORSSTRAND. It is Government subsidy, you are right, but it is also they claim private enterprise.

Mr. ASHLEY. The point I was trying to make actually was that I do appreciate and respect their approach to the problem. I don't believe that in an approach we vary from the Kingdom of Sweden.

One question, Mr. Bossert: I was very interested in the figures you gave of the income of the older people. Do those income figures include social security? I dare say they did.

Mr. BOSSERT. Yes.

Mr. ASHLEY. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, ladies and gentlemen. We appreciate your appearing before our committee, and we hope to be able to—

Mr. O'HARA. Mr. Chairman, may I interrupt?

The CHAIRMAN. Yes.

Mr. O'HARA. We received literature from all parts of the country, and we were told in one of the Provinces of Canada that they had made some experiments that were very satisfactory.

That is what the chairman referred to.

The CHAIRMAN. That is right.

Mr. WILLIAMS. We will try hard to find that, sir, and certainly make sure to send it to the committee if we do.

The CHAIRMAN. Tomorrow morning at 9:30 we will hear Mr. William Kelley, Director of FHA.

The committee stands in recess until 9:30 tomorrow morning.

(Whereupon, at 3:30 p. m., the committee adjourned until Friday, October 14, 1955, at 9:30 a. m.)

# INVESTIGATION OF HOUSING, 1955

FRIDAY, OCTOBER 14, 1955

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING OF THE  
BANKING AND CURRENCY COMMITTEE,  
*Philadelphia, Pa.*

The subcommittee met at 9:30 a. m., Hon. William A. Barrett presiding.

Present: Messrs. Barrett, O'Hara, Ashley, and Widnall.

Mr. BARRETT. The committee will hear Mr. Kelley, Director of FHA.

Mr. Kelley, do you have a statement you desire to read?

Mr. KELLEY. Mr. Chairman, I would like to complete my statement first, and then subject ourselves to your inquiries.

Mr. BARRETT. You may proceed.

**STATEMENT OF WILLIAM A. KELLEY, DIRECTOR, PHILADELPHIA FIELD OFFICE, FEDERAL HOUSING ADMINISTRATION; ACCOMPANIED BY THOMAS J. GALLAGHER, ASSISTANT DIRECTOR, JAMES W. REMENTER, CHIEF UNDERWRITER, AND HARRY J. CONNOLLY, CHIEF OF OPERATIONS**

Mr. KELLEY. Mr. Chairman and members of the committee, my name is William A. Kelley, and I am director of the Philadelphia insuring office of the Federal Housing Administration. The jurisdiction of the Philadelphia office embraces 37 counties in eastern Pennsylvania, and consists of approximately 14 major metropolitan areas.

I understand that it is the purpose of this committee to ascertain the status of the Federal Housing Administration multifamily housing insurance programs within the area covered by the Philadelphia office. I also understand it is your desire to receive some expression as to the adequacy and effectiveness of the multifamily housing legislation presently being administered.

In an effort to be brief and concise and still submit complete and accurate information to this committee, I will outline our experience covering each specific rental housing section.

With me today are the following members of my staff: Mr. Thomas J. Gallagher, Assistant Director; Mr. James W. Rementer, Chief Underwriter; Mr. Harry J. Connolly, Chief of Operations.

These officials and I will endeavor to answer any questions raised by this committee regarding any phase of Federal Housing Administration mortgage insurance operations.

As you know, section 220 mortgage insurance can only be used after an urban renewal or redevelopment area has been delineated by the city and a plan for the area has been approved by the Urban Renewal Administration and certified by the Housing and Home Finance Agency. As Mr. Lammer has testified on Wednesday, this is a complex procedure. For this reason, close teamwork is required between the Housing and Home Finance Agency regional office, the Federal Housing Administration insuring office, and the local Redevelopment Agency.

It is possible that consideration of Federal Housing Administration affairs this morning may lead to questions regarding HHFA Urban Renewal problems. I have, therefore, brought in addition to my own staff members Mr. David M. Walker, regional administrator of the Housing and Home Finance Agency, and Mr. Howard Wharton, regional director of Urban Renewal.

In our application of section 220, we have been most fortunate in receiving excellent cooperation from all who are associated in any way with the problem of urban renewal. The two projects which I will describe in a moment have been initiated by competent sponsorship, applications have been filed with our agency, and there is every prospect that closing and commencement of construction will occur within the reasonable near future.

The North Triangle development represents a project consisting of four 18-story air-conditioned elevator, fireproof apartment buildings comprising 882 family units, and is located on Philadelphia's Benjamin Franklin Parkway immediately adjacent to the art museum.

The project was initiated by the Philadelphia Redevelopment Authority and the redevelopment plan was perfected through the joint efforts of the Philadelphia Planning Commission, the Philadelphia Art Jury, and the Urban Renewal Administration of the HHFA. From time to time during the planning of this project the various agencies mentioned sought the advice and counsel of the FHA.

Subsequently, Mr. Harry K. Madway and Mr. Bernard Weinberg were selected as the redevelopers. They then entered into contract with the Philadelphia Redevelopment Authority concerning completion of the proposed housing structures.

In July of 1955 the North Triangle project was approved by the Urban Renewal Administration and certified to FHA by the Administrator of HHFA as being eligible pursuant to the provisions of section 220.

Thereafter, I encouraged the redevelopers to submit an application to FHA as soon as possible.

On August 19, 1955, FHA received an application for mortgage insurance from the redevelopers, Messrs. Madway and Weinberg.

All required preliminary conferences in connection with this application have been held and it may be reasonably assumed that, if our agency receives all required technical information, processing will be completed and a commitment issued in the latter part of December 1955. Under such circumstances, construction of the project will probably commence in the early part of 1956.

A separate statement showing the chronological processing of this particular project has been prepared for the committee and may, if you so desire, be made a part of the record.



Our second 220 project is designated as Southwest Temple No. 1-A. This development, located in the north-central section of Philadelphia, represents a new construction project of 220 units, consisting of 120 garden-type walkup apartments and 100 single-family row-house dwellings.

The redevelopment plan for the Southwest Temple area was originated by the Philadelphia Redevelopment Authority and planning was completed in conjunction with other agencies as described in the case of the North Triangle project. The redevelopment plan was approved by the Urban Renewal Administration and certified to FHA by the Administrator of HHFA on April 18, 1955.

Previously on March 11, 1955, an application for FHA mortgage insurance under section 220 had been submitted to FHA by the redeveloper known as the Southwest Temple Corp. Processing of the project has taken 3 to 4 months longer than usual because of the necessity of frequent revisions of the architectural exhibits. However, I am happy to report that for the last 3 weeks we have been ready to issue our commitment and are now awaiting final approval of the plans and specifications by the Pennsylvania State Planning Board and the Philadelphia Redevelopment Authority.

It is our understanding that a number of changes of a minor nature are under consideration, and it is hoped that approval of these will be forthcoming in the near future, at which time the commitment will be issued without delay.

As in the case of the North Triangle development, a separate statement showing the chronological processing of this particular project has been prepared for the committee and may, if you so desire, be made a part of the record.

We have worked with the redevelopment authority on one redevelopment project under 220. The area selected has been largely unoccupied for a long time, and buildings were in an advanced stage of dilapidation. The extent of work required to make them safe and suitable for occupancy was actually too costly to be feasible. It would be better to take these buildings down and build new ones. However, I believe there are many other areas which the city could select for successful use and rehabilitation under section 220.

Under the provisions of section 207 of the 1954 legislation we have insured 2 rental housing projects. One represents an 11-story elevator apartment building, and the other a 2-story garden-type project. An additional high rise elevator structure is under an outstanding commitment, and we have also received for preliminary consideration an 18-story elevator structure comprising 759 units.

In view of the fact that mortgage amounts under this particular section are predicated upon value, feasible projects will be possible only in choice locations where it may be assumed that premium rents will be available.

Turning to section 213, I want to say that the 1955 amendments to the act, which reinstated replacement cost rather than value as a basis for computing mortgage amounts, will probably encourage the origination of cooperative management-type projects. This viewpoint is especially applicable to consumer-initiated cooperatives.

We have commenced discussions with the local Friends Service Committee toward reactivating a rehabilitation project under their

sponsorship which will represent an addition to the project previously sponsored by that organization and insured by our agency. Mr. Crossman, in his testimony on Wednesday, described the original project.

We are entertaining a consumer-initiated proposal from Mr. Joseph Braceland, vice president of the Philadelphia Saving Fund Society. This is a garden-type walkup project in which the cooperators will be retired persons or similar individuals approaching that status. This proposal is actually being encouraged by the Health and Welfare Council, and the Philadelphia Housing Association, which organizations are Red Feather agencies of the United Campaign Fund.

We are convinced that, as a result of the recent amendments to section 213, and with the active participation of local public interest groups, the prospects for originating legitimate consumer-initiated cooperatives have been provided a new impetus.

Title VIII, as amended under the 1955 act, has resulted in a substantial degree of interest and activity on the part of the military authorities.

Up to the present, we have held preliminary discussions with representatives of the Philadelphia Quartermaster Depot, the New Cumberland, Pa., depot, and the Letterkenny Arsenal.

It may be reasonably assumed that several projects under this section will be originated, constructed, and insured.

I appreciate the opportunity that has been afforded me to express the viewpoint of our agency in connection with our various Federal Housing Administration insurance operations, and I would be pleased, in conjunction with my associates, to answer any questions concerning our activity upon which the committee may desire further information.

(The material referred to by Mr. Kelley is as follows:)

OCTOBER 14, 1955.

To: House Banking and Currency Subcommittee.

From: William A Kelley, Director, Federal Housing Administration, Philadelphia, Pa.

Subject: North Triangle Redevelopment Area (Parkway Triangle Apartments), Benjamin Franklin Parkway, adjacent to the art museum.

#### NEGOTIATIONS WITH THE PHILADELPHIA REDEVELOPMENT AUTHORITY

- 1 Date bids opened by the redevelopment authority: June 8, 1954.
- 2 Sponsors: Bernard Weinberg and Harry K Madway.
- 3 Bid to authority for site: Annual rental of \$75,000 (no term of lease indicated), and/or option to purchase at \$1,875,000. The purchase price, based on approximately 390,550 square feet, would represent \$4.29 per square foot. On the basis of a leasehold, it would represent approximately \$0.19 per square foot for annual rental.
- 4 Number of family units: 880.
- 5 Number of family dwelling rooms: 3,690.
- 6 Average room per family unit: 4.2.
- 7 Garage space: 495 covered, 230 open, or a total of 725, representing 82.4 percent related to the number of units.
- 8 Contractor: Several nationally recognized construction organizations submitted, with specific choice reserved for the future.
- 9 Architect: John H. Graham and Associates, Washington, D C.
- 10 Financing: Originally intended to be obtained through conventional mortgage sources, but reservation made to explore all applicable sections of the National Housing Act.
11. Estimated project cost: \$10,147,500.
- 12 Lot coverage: Residential buildings represent 11.7 percent and the non-residential is 0.75 percent. Landscaped area will represent 56 percent.

- 13 Ninety-eight families per net acre and 255 persons per net acre
14. Bid security: Successful sponsors deposited certified check in the amount of \$101,475
- 15 Bid awarded on the basis of the conditions noted below:
- (1) The purchase price or rental proposed to be paid for the land
  - (2) The degree with which the proposal will produce a well-planned residential area and meet the broad objectives of the development program as well as the requirements of the redevelopment area plan as approved by the city planning commission.
  - (3) The rents or sales prices proposed to be established for the finished housing units.
  - (4) The experience, qualifications, ability, financial status, and interest of the principal participants and sponsors involved in the proposal.

## PROCESSING WITH THE FEDERAL HOUSING ADMINISTRATION

1. Application received: August 19, 1955.

2. Application amount: \$12,500,000.

(This proposal was originally submitted in the mortgage amount noted above on the basis that a leasehold in the amount of \$1,765,000, in addition to such loan, would be recognized.) Subsequent discussions with our office resulted in a determination to eliminate the leasehold arrangement, include the ground in the transaction on a fee-simple basis, and separate this single project into two individual insurable loans. Amended applications in this respect are in the process of completion by the mortgagee and sponsors.

3. Type of security: Four 18-story fireproof, completely air-conditioned elevator apartment buildings, including 882 family units consisting of 3,694 rooms or a per unit composition of 4.2. Average monthly rental proposed per family unit is approximately \$147, or a per room basis of \$35.13. Based on application, this would represent a per unit mortgage amount of approximately \$14,000 and a per room amount of \$3,384 which are inclusive of the customary allowances for commercial space and other accessory uses, such as garages.

4. Discussions have been held between our agency and the sponsors, their architects and engineers, and there is a complete understanding as to the general objectives and timing requirements for the processing of this project.

A discussion of the site plan and architectural designing layout has been completed by our agency, and the sponsors are in complete accord insofar as all requirements are concerned.

It is anticipated that a commitment will be issued prior to the end of December 1955 with the closing and commencement of construction to begin in the early part of 1956.

## SECTION 220

034-32001

Application: May 11, 1955

Amount: \$1,600,000

Project: Southwest Temple unit, 1A

Location: 10th, 11th Streets; Jefferson, Oxford, Master, Hutchinson Streets, 20th ward, Philadelphia, Pa.

Area: 10.3532 acres

Composition: 120 garden-type walkup apartments, 100 row dwellings, 48 rooms per family unit.

Rentals: \$15.15 per room per month (shelter rent) apartment; \$11.42 per room per month (shelter rent) rows; \$56.55 per unit per month (shelter rent) apartments; \$68.50 per unit per month (shelter rent) rows, shelter rent or net rental does not include water, electricity, gas, or heat.

Subsidy: \$767,705 construction subsidy by State planning board, department of commerce Pennsylvania, provided equity investment and assisting in establishing lower rentals.

Agencies: Housing and Home Insurance Agency urban renewal; Federal Housing Administration; Department of Commerce, Commonwealth of Pennsylvania, through State planning board; city of Philadelphia, through redevelopment authority and city planning commission.

March 11, 1955: Application and fee filed by mortgagee. No exhibits included.

March 17, 1955: Some of the exhibits delivered.

March 23, 1955: FHA Land Planning Section requests additional data.

March 24, 1955: Conference held with officials of redevelopment authority to discuss the application and exhibits.

March 20, 1955: Further exhibits furnished by mortgagee.

April 1, 1955: Letter received from HHFA certifying that the site is located within a slum-clearance and urban-redevelopment area, which has been approved under the provisions of the Housing Act of 1949.

April 19, 1955: Preliminary study by FHA Land Planning Section completed.

April 28, 1955: Project certified as eligible for consideration for FHA mortgage insurance by Mr. Albert M. Cole, Administrator of HHFA, and Mr. W. Beverly Mason, Jr., urban renewal officer of Federal Housing Administration.

April 13, 1955: Conference held between the parties at interest and FHA in regard to a recommendation to change plans in order to lower costs.

June 20 to July 16, 1955: Various revised plans submitted piecemeal.

August 3, 1955: Two sets of revised drawings furnished FHA.

August 12, 1955: Request by mortgagee that project receive all benefits as provided by terms of the new housing act.

August 16, 1955: Revised book specifications received, therefore making it possible for actual FHA architectural and land planning processing to commence.

September 20, 1955: Conference held between the interested parties and FHA to discuss further changes necessary to make the plans and specifications conform with FHA requirements.

September 23, 1955: Conference held in FHA office between the architect and FHA to restudy the possibility of lowering the floor elevations.

October 13, 1955: Processing at the present time is completed based on FHA minimum requirements. However, we are withholding the final processing pending certain suggested changes in the plans now being made which must be approved by the redevelopment authority and the State planned board.

#### SECTION 213

Project: Eighth & Brown Mutual Housing Corp. (first section).

Location: North 8th Street, Brown and Franklin Streets—13th Ward—Philadelphia, Pa.

Area: 42,295 square feet.

Type of project: Rehabilitation of existing semidetached dwellings.

Composition: 52 units comprising 208½ rooms. An average of 4 rooms per unit.

Agencies: Friends Service, Inc.; Federal Housing Administration.

Initial housing expense: \$47.50 to \$87.50, heat and hot water included.

Equity investment: \$630 to \$1,170; cash and labor.

Mortgage: Total mortgage amount \$421,083.23 (\$8,100 per unit).

Completion: Completion of construction May 31, 1954.

Endorsement: Initial endorsement, June 5, 1952; final endorsement, July 23, 1954.

The management-type cooperative application, identified as project No. 034-30002M, sponsored by the American Friends Service Committee, was originally submitted to our office under date of July 13, 1950. This project located in the East Poplar redevelopment area and identified as project No. 1 was originally submitted on the basis of 100 family units, predicated on an experimental process of financing wherein the cooperators involved were to accumulate their equity on a self-help basis whereby their efforts, in the nature of labor and time, were to be compensated for by accrued equity.

Subsequent to receipt of an application for 100 units, it was determined by the Society of Friends, the sponsor organization, to reduce the initial project to 52 units whereby the solicitation of cooperators could be expedited and the initial project closed promptly and construction started. The balance of 48 units could then be represented by a second single insured mortgage.

The commitment for this project was issued on the basis of 52 units and the loan finally endorsed, after completion, in the amount of \$421,200, which represented \$8,100 mortgage amount per unit. It must be emphasized that this particular commitment was issued on the original regulations in effect under section 213 wherein the insurable loan was based on a percentage of the replacement cost and not value, which subsequently became the basis for computing mortgage amounts on August 2, 1954, as a result of the passage of the housing amendments of 1954.

The balance of this project representing 45 units was approved by the issuance of a statement of eligibility under date of April 7, 1954, identified as project No. 034-30010, with the same mortgage amount which was applicable to the original project; namely, \$8,100 per unit representing a total of \$364,500. Mr. Crosman,

representative of the Friend Service Committee, subsequently reduced the number of units from 45 to 36.

The statement of eligibility will now be reprocessed giving effect to the housing amendments of 1955.

Mr. BARRETT. Mr. Kelley, you made a very fine statement. It certainly exemplifies the expeditious way you have been handling the applications.

Here in Philadelphia we have heard many very fine comments on the way you are handling your agency, and your splendid staff. We were very pleased because we heard so many complaints during the New York hearings. Coming here we have an opportunity to get a breath of fresh air, so to speak.

You are certainly to be commended on the way you have handled your agency.

Mr. KELLEY. Mr. Chairman, I appreciate those comments on the part of our staff and myself.

Mr. BARRETT. We seldom make commendations, but because of the expeditious way you have handled the applicants and their applications, I think you deserve this praise.

Some of the members here, I am sure, would like to ask you some questions, and, if you wish, you may refer them to the various members of your staff.

Mr. O'Hara.

Mr. O'HARA. Mr. Kelley, Congressman Barrett remarked to me that you are a very splendid citizen. Although you are not of his party, he said you were doing a good job.

Mr. KELLEY. The only time I differ with the people of the other party is on election day. Since I have been in Federal service, of course, I am out of politics.

Mr. O'HARA. I think all of us of both parties are concerned in solving the housing problem, and I am sure I am voicing the opinion of all members of this committee when I say we are very much concerned about the inability to find decent housing for a large segment of our population that cannot afford to pay existing prices.

Do you see any solution of that problem in the future?

Mr. KELLEY. Mr. Congressman, I would like to have Mr. Gallagher answer that; if he will.

Mr. BARRETT. Mr. Gallagher, will you identify yourself?

Mr. GALLAGHER. Mr. Chairman, speaking on behalf of our local agencies, I believe that the 1955 amendments should possibly be given a fair trial now that replacement cost has been reinstated instead of value for computing mortgage amounts, particularly with regard to this complex problem of urban renewal. We feel that locally we have developed a very fine coordinated operation, particularly with the city officials, with our urban renewal administration, with the redevelopment authority, and especially with our State Planning Board of Pennsylvania.

It has shown a very splendid type of cooperation insofar as the Southwest Temple job is concerned, and also particularly insofar as the North Triangle. We have two projects there, one representing a high, rise multiple-story, air-conditioned structure, and the other represents a moderate rental income type of garden project which has been supplemented by a State subsidy grant of Pennsylvania. Both projects have been worked out and cleared and with the coordinated

efforts of all agencies we not only can predict but we can assume that both projects will be under construction in the early part of 1956, less than a few months after the introduction of the 1955 amendments.

We believe here in Philadelphia, Mr. Congressman, we are going to make 220 work as well as any part of the country.

Mr. O'HARA. I notice in your statement that you mention "legitimate" consumer initiated cooperatives. Was there any reason why the word "legitimate" was used? Have there been abuses of that field?

Mr. KELLEY. I wouldn't say that, Mr. Congressman. We have had two cooperative projects, one at 8th and Fairmount, or 8th and Brown, and one at 21st and Walnut, both of which have gone over, I would say, remarkably well.

Mr. O'HARA. And you think that there will be further development in the field of consumer initiated cooperatives?

Mr. KELLEY. Well, we look forward to that, Congressman.

Mr. O'HARA. Have you had any experience with builder-initiated cooperatives?

Mr. GALLAGHER. The 2101 cooperative, Mr. Congressman, at 21st and Walnut, was essentially a builder-initiated cooperative inasmuch as the original developers of the project had, through a widespread publicity campaign, participating with Gumble Bros., so that it was basically a builder-initiated cooperative, but the benefits to the consumers were definitely beneficial.

As contrasted with Center municipal structures, there is a spread of approximately \$20 a month in rent, so we assume that the benefits did accrue to the eventual cooperative owners.

Mr. O'HARA. The statement was made in New York that it was a very difficult thing to go through with a consumer-initiated cooperative unless it has some tie-in with the builder whereby he puts on a sales force and sometimes a high-pressure sales force, and I assume because of that you are perhaps a little more cautious in approving plans of a cooperative that is initiated by the builder than you are when the cooperation is genuinely and wholly initiated by consumers.

Mr. GALLAGHER. That is correct, Congressman.

Mr. O'HARA. Now, you make mention of two developments here. What is the price range of rentals in those two developments that you mentioned?

Mr. KELLEY. Well, Congressman, the one at Southwest Temple, known as Southwest Temple No. 1-A, the rental schedule will be approximately \$62. This job was bid on the basis of rent structure, and the average rental will be \$62 a month, and that is shelter rent. To that would have to be added the utilities, which in most cases probably would amount to \$12 to \$15 a month. That is \$62 per unit.

Mr. O'HARA. By a unit, how many rooms in the unit?

Mr. KELLEY. Two bedrooms, average.

Mr. GALLAGHER. It is an average across the project of approximately 4.68, across the entire project.

Mr. O'HARA. Is that open to both whites and Negroes?

Mr. KELLEY. Yes, sir.

Mr. O'HARA. And it will be occupied by the two races?

Mr. KELLEY. It will be occupied by both; we are hopeful that it will. However, it is in a location that is predominantly Negro at the present time.

Mr. O'HARA. It is in a district that at the time is predominantly Negro?

Mr. KELLEY. Yes.

Mr. O'HARA. The other project, where is that located?

Mr. KELLEY. On the Benjamin Franklin Parkway, which is, of course, that highway running out here and adjoining the Art Museum.

Mr. O'HARA. And what will the rentals be there?

Mr. KELLEY. \$35 per room; that is a high rise, 4 buildings, each 18 stories, with 880 apartments, at a rental of \$35 per room.

Mr. O'HARA. And how many rooms in each apartment?

Mr. GALLAGHER. There is an across-the-board average, Congressman, of 4.2.

Mr. O'HARA. So that runs about \$140 a month rental?

Mr. GALLAGHER. Yes, sir.

Mr. O'HARA. Maybe \$150.

Mr. GALLAGHER. That is right.

Mr. O'HARA. Of course, that isn't reaching the great mass of people. They cannot afford to pay rents at that figure.

Mr. KELLEY. That is right, Congressman.

Mr. O'HARA. Wouldn't you say that was almost in the luxury class?

Mr. KELLEY. Well, it is probably pretty close to it, but there isn't anything you could do with that land, according to the agencies that enter into it. It is on the parkway, and the art jury would not permit anything but a building of that type on the parkway because everything along there is high class. It is air-conditioned, elevator.

Mr. O'HARA. Is there any subsidy in connection with that building?

Mr. GALLAGHER. No, there isn't any subsidy. Incidentally, Congressman, I think we have a representative from the Urban Renewal Administration who participated in recommendation for the urban renewal plan before FHA got into the picture, and I was wondering if they would care to comment at this stage as to the type of project that is presented, and the urban renewal plan that was approved.

Mr. KELLEY. Mr. David M. Walker, administrator of the housing and home finance administration.

Mr. O'HARA. Mr. Walker.

Mr. WALKER. It is a pleasure to appear before you gentlemen.

I think that the fact that this project is a luxury job, Congressman, and that it is located as an adjunct to our museum, is evidence of the very wise moves that the Congress took in recognizing that under urban renewal you had several problems. One of the problems, of course, the major problem, is the elimination of blight, the destruction of slums, and the building of middle-income housing for those who need it so desperately.

But equally important to municipalities is the recapturing of values and the redevelopment of loss values. This is in what we might call in Philadelphia our golden triangle. It is a section of the city that long ago should have realized its potential and provided the city great sources of income from taxes. It did not do so because of an absence of planning, and a misunderstanding of what a parkway could do, and it now has been designed by the planning commission and the redevelopment authority is attempting to implement those plans to bring out the re-creation of the kind of values that should have existed there all of the time. It is the type of structure that

belongs there, and it has no Federal assistance other than insurance under 220.

The money for acquisition is private. The money for building will be private, and the taxes will be normal, so that I think that the Congress may take a great pride in the fact that here in Philadelphia such a project is coming into existence.

Mr. O'HARA. I am sure of that. These questions are not intended to imply any criticism.

We found in New York that there they give a tax exemption for a period of 25 years. You have no such law in Pennsylvania?

Mr. WALKER. We have no tax-abatement law in Pennsylvania. The only contribution that Pennsylvania made to date was a \$15 million State grant; \$11,500,000 was aimed at subsidy to actual building construction in order to get rentals to a lower rental and \$4½ million was given to the various communities to aid them in making up their one-third grant in order to secure the Federal grants.

There is in the general assembly at this moment another bill providing \$5 million additional funds for the community for that second function. In other words, what we are trying to do here, Congressman, not only in Pennsylvania but in this region, is to take this whole program out of the category of a big-city program, because we believe sincerely and wholeheartedly that this program belongs to the smaller communities just as much as it belongs to the big cities, and as a result of that we have applied our understanding and our requirements of workable programs in a fashion to give a great deal of recognition to the ingredient of good faith. We have provided technical and real assistance to the smaller communities in being able to develop these things which are almost the normal situation in a big city that has an average staff to do the job.

But we are attempting to enlist the interest and the possibility of the smaller communities in this job of reclamation, because we feel—I would like to say this, Congressman: There has been sort of an attitude in some of these hearings that this thing is not going as it should, and I think we all agree that perhaps it isn't, but I think sometimes we forget that the problem we are talking about did not come about in one decade or two or even several generations, and that we cannot operate by decree in this country. We have to operate within the wisdom of the Congress, and I think the Congress has through partisan persuasion meaning nothing, has moved forward in a wise fashion to show a way that we can get a technique assembled and started that will do this job, and I think that it is inevitable that we will find a way, and I think that you have enough interest to go out in the country and search out these ways, is to your everlasting credit, because it is a job that if we find a technique can insure the economy of this Nation for the next 50 to 100 years. It is the greatest market any nation has ever known.

Mr. O'HARA. It is very gracious of you to make that comment.

In reply I might say this: This is a study group. We are going around the country to find out what the present situation is, what different experiences the cities in the different sections of the country are going through and what legislation is necessary to help the overall situation. It is a large problem.



Our cities are going through a surgical operation. We must be certain that in the operation the surgeon doesn't get the heart of the patient.

Mr. WALKER. Thank you.

Mr. WIDNALL. Mr. Walker, can you give some idea of how many workable programs exist now in your region?

Mr. WALKER. Yes; I can. I think in our region we have 28 workable programs at the moment, and of those 28, I think it is interesting to note that only 2 of them are cities of such size as Philadelphia and Baltimore.

In Virginia we have Danville, Norfolk. In Pennsylvania we have towns like York, Sharon, Asbury Park, N. J., Trenton, N. J., New Brunswick, N. J., Scranton, Pa., Beaver Falls, Perth Amboy. So that you can see here that you have now some of the communities that are not quite as well equipped as Philadelphia and New York.

Mr. WIDNALL. What is the population of these various communities?

Mr. WALKER. Let us take the city of Philadelphia with 2 million, approximately, and the city of Sharon, Pa., which I would say was about between twenty and twenty-five thousand.

Mr. WIDNALL. Could you clarify for the committee how a city of twenty to twenty-five thousand like Sharon, Pa., can prepare workable programs, the reason for my question is this. There has been some comment that smaller cities do not have the staff, that they do not have the men to prepare such a workable program.

Now, what do they do in the case of a community like Sharon, Pa.?

Mr. WALKER. Sir, I think that that is a fair statement, that they do not have the same type staff or the same number, but one of the benefits of a workable program is that it gives a community an opportunity to inventory what it does have, and it is always a source of amazement to most of the elected officials of a community to find out that they have been over the years enacting the same kind of legislation about which we are talking in a workable program so that what we do is this: To the best of our ability we afford technical assistance when there is help needed to actually draft the legislation, but in many, many cases we find that the legislation that we are talking about in a workable program is already on the books, but that the elected officials have not taken for a long time a fair and friendly look at exactly what they are doing today, or what they intend to do in the future. We alert them to the need of doing that, and we insert that ingredient of, as I say, good faith.

We don't clamp down and say that you cannot make progress until you have dotted every "i" or crossed every "t" in this thing. We do, however, require an adherence to this workable program in spirit and in fact.

Mr. WIDNALL. Well, do you get many kickbacks in your office from communities claiming that they don't have the funds to set up a workable program?

Mr. WALKER. Yes, of course, we get that, but not to the degree that you might believe.

Mr. WIDNALL. What is that generally addressed to? What funds do they lack?

Mr. WALKER. Well, of course, the same funds that they lack here in Philadelphia, or any other town, the funds that are necessary to

actually police the codes which they enact. You might recall the mayor of Philadelphia said you enforce with compassion. That is necessary because it is almost impossible, particularly in overcrowded areas, to enforce with severe police authority.

Mr. WIDNALL. Well, you would say, then, from your own experience, that you don't feel that the size of the community necessarily handicaps it from putting forth a workable program?

Mr. WALKER. Not at all. I think evidence of that is that in this region we now have 72 projects in 54 communities. We have 30 more in the process that will make 104, and of that 104 I would say that at least 75 of them are in the smaller communities, and I am very happy about that.

Mr. WIDNALL. Thank you; Mr. Kelley, it has been said that there have been no standards set up for rehabilitation under 220, and that therefore FHA has applied standards of new construction.

Could you clarify the present situation?

Mr. KELLEY. That isn't true. Congressman, with your permission, I would like to have Mr. Rementer, our chief underwriter, answer that question.

Mr. BARRETT. Would you identify yourself for the record, please, Mr. Rementer?

Mr. REMENTER. James Rementer, chief underwriter, Philadelphia, FHA.

Gentlemen, I have here the MPR property requirements for 1- and 2-family units. There have been distributed free of charge to builders and mortgagees in this area over the past 15 years. Thousands of copies of these have been given out.

Now, these MPR's include separate sets of construction requirements for new and existing properties. New properties are specified with definite limitations. The existing construction is outlined in broad objectives. These broad objectives might be, for instance, in this fashion: Side yard clearances in new construction are 8 feet. In a town where 5-foot side yards are standard, or 4-foot side yards, these are acceptable and are considered as meeting the objectives. Thousands of homes have been insured in this territory through this office over the past years that were existing homes that did not in any way meet the MPR's for new construction, and the standards for the new construction.

Mr. WIDNALL. So what you are saying now is that actually there are different standards, that they have been applied in the past years, and still are being applied when rehabilitating property?

Mr. REMENTER. That is correct, rehabilitated and existing properties only have to meet the objectives of the act, and the definite standards, the definite limitations, the specification, with exact numbers and figures and feet, and so on, are set up only for the new construction.

Mr. WIDNALL. And any builder or borrower has had access to those regulations and standards for some time?

Mr. REMENTER. They have been distributed for 15 years. In fact, I don't know of any that don't have those in their possession. It is the Bible they need for new construction.

Mr. WIDNALL. Thank you very much.

Mr. Kelley, in the administration of your office up here, do you find yourself handicapped by lack of funds?

Mr. KELLEY. Personnel?

Mr. WIDNALL. Funds for personnel.

Mr. KELLEY. Yes, at times. During the summer session we received some additional funds for overtime where we were terribly hard pressed. However, we certainly should have additional technical assistance, such as mechanical engineers, and sanitary engineers, where there is a coverage of not only our office but those particular positions covered by our men that have to go into different territories.

Now, as construction progresses we are getting farther out of the city of Philadelphia all of the time. We are getting into Delaware County, and Chester County. We have drainage conditions, lack of sewers, where cesspools or septic tanks might be used.

Mr. WIDNALL. Could you give the committee at a later time your recommendations for how additional staffing would help the operation of your office and provide a better operation all around? I think that it would be most helpful to have that type of recommendation.

Mr. KELLEY. Is that strictly legitimate? Don't we have to send any recommendations of that sort through our Washington office?

Mr. WIDNALL. In making budgetary requests. But as to operations, I think it is perfectly legitimate for us to find out what your recommendations would be for additional help or personnel for the development of these plans.

Mr. KELLEY. Well, Congressman, we try to please everybody, but we don't want to offend too many in doing so, so I will get it to you, I am sorry, definite recommendations.

Mr. BARRETT. We think that Congress is trying to make it clear that you are not adequately staffed now to carry this heavy load.

Mr. KELLEY. That is right, Congressman.

Mr. WIDNALL. Incidentally, Mr. Chairman, I now know what the City of Brotherly Love is when I hear Democrats talking about Republicans.

Mr. BARRETT. I certainly hope it is not misconstrued. I am not talking about good Republicans, I am just talking about good agencies.

Mr. KELLEY. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. Mr. Kelley, perhaps you would like to refer this question to Mr. Walker. I would like to know how many 701 grants have been made to the smaller communities in this region.

Mr. WALKER. To my knowledge, Mr. Congressman, we have not yet made one 701 grant in this region.

I would like to say, however—

Mr. ASHLEY. Just answer my question, if you will. You spoke a few minutes ago about your anxiety in carrying forth the intent of Congress. In fact, you thought the Congress was trying to carry forward a housing program to meet the needs of the country. Now, 701 has been on the books for how long?

Mr. WALKER. I have no idea.

Mr. ASHLEY. You say that there have been 28 workable plans?

Mr. WALKER. Yes.

Mr. ASHLEY. None of those have been made possible by virtue of 701 grants. Let me ask you this question now: How many workable programs do you hope or expect to have by this time next year?

Mr. WALKER. By this time next year?

Mr. ASHLEY. Yes, in your region.

Mr. WALKER. I would hope it would be in excess of 100 by this time next year.

Mr. ASHLEY. Do you hope or expect to make available 701 grants in order to bring about that number?

Mr. WALKER. We hope that there will be some applications under 701. We, of course, have to first do the work to interest the proper agencies in 701.

Mr. ASHLEY. Now, Mr. Kelly, how long have you been at your present position?

Mr. KELLEY. April 13, 1953.

Mr. ASHLEY. Last Tuesday, I believe it was, Mr. Madway testified that his was in effect the first or the pilot 220 project for this area. Would you agree to that, sir?

Mr. KELLEY. Well, it certainly wasn't the first application we had for 220. We had Southwest Temple.

Mr. ASHLEY. Yes. Let me say he testified that he received every kind of cooperation, special treatment, and that you made your staff available to his disposal. He testified along those lines in response to some question as to whether or not he had received any sort of preferential or favorable treatment, and he said, only on the basis that his was in the nature of a pilot project. I wondered if you agreed with that.

Mr. KELLEY. Mr. Congressman, may I tell you that there isn't any preferential treatment. We endeavor when we get cases in there together to work immediately on them. There are times when that isn't possible. There were problems in Madway's and Weinberg's case that we had to resolve, and we were interested in getting started right without our doing considerable work on it, and those things, I think, we cleared up to the present time, and the next thing in order for Madway and Weinberg to do is to submit to us plans and specifications. We made arrangements with the—

Mr. ASHLEY. That is right. Has Mr. Madway's commitment been issued yet?

Mr. KELLEY. No, sir.

Mr. ASHLEY. It hasn't yet.

Now, the law establishing the 220 program was passed by Congress in August of 1954, and the rules and regulations were promulgated in November following; isn't that correct?

Mr. KELLEY. Yes, sir.

Mr. ASHLEY. Now, when a new program such as this is promulgated and set up by Congress it comes into your hands, of course, and I am wondering do you try to determine whether or not the program is workable for your particular area?

Mr. KELLEY. Well, it is rather hard, Congressman, to determine unless we have an application and know what they plan on doing.

Mr. ASHLEY. Well, I wonder if you have submitted any recommendations to Washington relative to how the 220 program could be made effective?

Mr. KELLEY. No, sir; we have not.

Mr. ASHLEY. You have not done so?

Mr. KELLEY. No, sir.

Mr. ASHLEY. Well, let me ask you this: Did you think on the basis of your own experience, or the applications which were made, that the 220 program, as it was originally set up, was workable?

Mr. KELLEY. Well, I was of the opinion possibly 2 or 3 or 4 months ago, that it was a problem to work it. However, I have changed my opinion. I think we have a reasonably good chance of working it out. Now, that is looking, of course, into the future, but from what I can understand there are other people who are interested in the Southwest Temple area.

Mr. ASHLEY. No, sir; I am just asking you. You say you haven't submitted any recommendations to Washington?

Mr. KELLEY. That is right.

Mr. ASHLEY. Expressing your views as to how the program might go forward.

The rules and regulations were issued last November. You say that 3 or 4 months after that, along in January, you began to have certain ideas about the program; is that right?

Mr. KELLEY. They were personal, from the experience that we had up to that time.

Mr. ASHLEY. I am not talking about your personal views. I am speaking about your views as regional director, Mr. Kelley. The program wasn't going forward under the original rules and regulations, was it?

Mr. KELLEY. It was not too active at that time; that is right.

Mr. ASHLEY. Now, what material changes have been made in the rules and regulations in the last several weeks with respect to section 220 which have permitted the program to go forward? I wonder if you would enumerate those.

Mr. KELLEY. I think that they could be better enumerated in their entirety by Mr. Gallagher.

Mr. ASHLEY. I wanted to know specifically what these changes in recent weeks cured.

Mr. GALLAGHER. Essentially, Congressman, as far as the Philadelphia area is concerned, the basic change in the 1955 amendments was to change the basic computing mortgage amounts from value to replacement costs. Essentially, the projects remained the same as they were submitted back in March and in August, but the amendments permitted us to establish mortgage amounts in a more reasonably effective fashion.

Mr. ASHLEY. Well, now, what specific changes were there in the charter provisions?

Mr. GALLAGHER. To my knowledge, Congressman, I don't believe there have been any unusual changes in the character characteristics nor in the corporate structure. I believe the basic significant change was the change from value to replacement cost.

In other words, under value, value as crystallized by our agency, did not permit the development of a sufficient mortgage amount, because the characteristics of risk had to be reviewed in a different light, in a very conservative manner, in other words.

Mr. ASHLEY. Do you think that builders were satisfied insofar as the original rules and regulations were concerned with a 5-percent profit ceiling?

Mr. GALLAGHER. I believe that the profit aspect had no effect whatsoever originally. I don't think it was workable or feasible because of the manner in which the mortgage amounts were computed. In other words, all of these deals, whether 220, 207, or whatever, in rental

housing, if the investment by the sponsor isn't nominal, it is not going to work. In other words, what 220 and the amendments of 1955 did was to reduce to the minimum the fixed investment of the sponsor, thereby lowering the gap between the amount of money you had to put in and the mortgage you received to build a structure.

Mr. ASHLEY. All right. Thank you.

Mr. BARRETT. Any other questions?

Mr. ASHLEY. Yes, I have some more questions.

Now, Mr. Kelley, on Tuesday Mr. Madway testified that he made an inquiry with respect to building his project under the 220 program, and he concluded that it wouldn't be possible to do so. I believe that that was back in 1954; is that correct?

I wonder what he meant by "inquiry," Mr. Kelley? Did he present FHA plans and specifications? Did he make out an application for insurance at that time?

Mr. REMENTER. Mr. Congressman, whenever a sponsor submits a project we have a preliminary review so that all aspects of the project can be gone over at the earliest possible stage, and with the least amount of plans and specifications. The rentals were reviewed at that time, and the possible mortgage amount along with the composition of the project. That preliminary discussion brings to light any real important problems that might arise, and perhaps fixes in the sponsor's mind whether he can use FHA or not.

Mr. ASHLEY. Yes. Now, do you know on what basis Mr. Madway concluded that it wouldn't be feasible for him to build his apartment under section 220 at that time?

Mr. REMENTER. I believe, as Mr. Gallagher said, that it was on the basis of the values that would be turned up, the mortgage amount based on value rather than replacement cost.

Mr. ASHLEY. It was Congress that changed the basis of computing the amount of insurance from value to replacement cost, wasn't it?

Mr. REMENTER. Yes.

Mr. ASHLEY. As distinct from the administration.

Mr. REMENTER. Yes, sir; that required congressional action.

Mr. ASHLEY. As a matter of fact, Congress did this over the objections of the administration, didn't they?

Mr. REMENTER. I am not familiar with that.

Mr. ASHLEY. How about you, Mr. Kelley?

Mr. KELLEY. I don't know that, either.

Mr. ASHLEY. Well, it is true, for example, that you didn't make any recommendations to Washington to change the basis from value to replacement costs?

Mr. KELLEY. That is right.

Mr. ASHLEY. Now, in your recollection, Mr. Kelley, or the recollection of any of your assistants, did Mr. Madway have any objection or did he raise the point as to the 5-percent ceiling limitation at any time in the early stages of his inquiry or application?

Mr. KELLEY. No; not to my knowledge, Congressman.

Mr. ASHLEY. Well, now, Mr. Kelley, is that your answer, sir?

Mr. KELLEY. Yes, sir.

Mr. ASHLEY. Do you think that any 220 commitments would have been issued in this area if the 5-percent profit ceiling and other restrictive regulations had not been changed?

Mr. KELLEY. I think it is very problematical they would not have been.

Mr. ASHLEY. Do you have any idea, Mr. Kelley, why these changes weren't made sooner?

Mr. KELLEY. No.

Mr. ASHLEY. It has been a year; is that right, sir?

Mr. KELLEY. Yes.

Mr. ASHLEY. Mr. Kelley, we have had a number of witnesses, of course, before this committee, and we have heard some very optimistic testimony from some who feel that, on the basis of the changes in the law made by Congress and the recent changes in the regulations by FHA—the 220 program will move ahead, and that there will be builder-promoters actively utilizing this program.

I wonder, sir, if you would give me your views on this: Do you share this optimism?

Mr. KELLEY. Yes; on the basis, Congressman, that I know there are people interested in the program or becoming interested in it. When they finally file and whether the jobs go through, I would have to look through a crystal ball to know.

Mr. ASHLEY. Do you base your optimism solely on the interest of the promoter-builders, or do you look further and, on the basis of your experience, say that this program is, under the present rules and regulations, workable?

Mr. KELLEY. I believe we have a reasonably good chance of making it workable under the present rules and regulations.

Mr. ASHLEY. A reasonably good chance. Can you give us any suggestion that would make it more than a reasonably good chance?

Mr. KELLEY. No; I think as it is now written we are going to have people interested in it, and I think we will have some projects go ahead.

Mr. ASHLEY. You are satisfied with the rules and regulations as they presently exist?

Mr. KELLEY. Well, after investigation if we have any suggestion to make we will be very happy to submit them to you.

Mr. ASHLEY. Well, that is fine, sir, but you haven't up to the present time?

Mr. KELLEY. That is right.

Mr. ASHLEY. Mr. Kelley, Mr. Madway made a very good statement while he was on the stand, and among other things he was extremely complimentary, as I have already indicated, of the cooperation he has received from you and your agency, and I am wondering if by any chance you or any member of the FHA staff was in touch with Mr. Madway prior to and relative to his appearance before this committee?

Mr. KELLEY. Not to my knowledge, sir.

Mr. ASHLEY. It wasn't discussed at all?

Mr. KELLEY. No.

Mr. ASHLEY. Well, I would like to thank you, Mr. Kelley, for your appearance here. I am interested in statements. That perhaps reveals a flaw in my character of some sort, but I was extremely interested in your statement, sir, and I would like your candid answer as to whether that statement was reviewed or whether you were sided in its presentation by any member of the FHA or HHFA office in Washington?

Mr. KELLEY. It was completed entirely by our own staff, the joint efforts of 6 or 7 of our own people.

Mr. ASHLEY. Well, I wish to extend my congratulations to all of you, then.

Mr. KELLEY. Thank you. I will extend them to those who are not here for you, Mr. Congressman.

Mr. BARRETT. Any other questions?

Mr. O'HARA. Yes, I would like to ask one question.

You are the regional director?

Mr. KELLEY. That is right, Congressman; yes.

Mr. O'HARA. Does your responsibility extend any further than this region?

Mr. KELLEY. No, sir.

Mr. O'HARA. Does Washington at times ask opinions from regional directors?

Mr. KELLEY. I wouldn't say that I get too many inquiries, no; you mean about the act as they are written?

Mr. O'HARA. How they are working; yes.

Mr. KELLEY. Of course, we send reports down periodically as to how they are working. They would know from those reports.

Mr. O'HARA. My able colleague inquired of you if you had made any suggestion to Washington at any time in regard to any of these programs, basing your suggestions upon the way they are working in this area? Are you supposed to make such recommendations, to volunteer them, or give them only when you are asked for them?

Mr. KELLEY. Congressman, if we are expected to do that I have been remiss in it because I haven't made the recommendations.

There is one thing about most of these acts. It takes a little time for people to become interested in them, and I think that could be demonstrated by your looking back over acts of the past, and there is a certain amount of psychology, I think, that follows other people going into these things. I find that since there has been some publicity on 220 in Southwest Temple, and Madway and Weinberg's job, that other people have become interested in looking into it, and from that standpoint my feelings as to the action on it today are somewhat different from some time ago.

I think when you see interest of that kind we will get more jobs.

Mr. O'HARA. Do you think it would be helpful if the regional directors were called to Washington for a conference, say, once every 2 or 3 months, an informal discussion? Would that be helpful?

Mr. KELLEY. I think that is a very good idea. We have had discussions, but not so much on the acts as we have on requirements such as the underwriter might have or from the standpoint of our civil service and our personnel. I think it is a very good idea. It is educational, as well as helpful.

Mr. O'HARA. The reason I mention this is we want to be helpful.

Mr. KELLEY. I know you do.

Mr. O'HARA. I am sure it was not the thought of my colleague to blame you for not making reports when you weren't asked for them and perhaps thought you were not expected to give advice to your superiors in Washington.

Mr. BARRETT. Mr. Kelley, Congressman O'Hara has another question.

Do you want to answer Congressman O'Hara's question?

Mr. KELLEY. I think I did.



Mr. BARRETT. Congressman Ashley has another brief question. I say brief because we are a little behind schedule.

Mr. ASHLEY. There have been some witnesses who have testified that mortgage money is generally not available for sound single-family structures selling for four to seven thousand dollars in the South Philadelphia area. I wondered what the policy was as to insuring mortgages on old well-built homes in neighborhoods such as South Philadelphia?

Mr. KELLEY. We welcome them.

May I at this time, Mr. Chairman, make a statement relative to what Mr. Levitt said yesterday, that a person 55 years of age could not get a mortgage under FHA. That is ridiculous. We consider in our risk insurance the first 10 years of the mortgage. A person 55, if the income is sufficient to justify it, we realize we have to assume a risk, but there is a limit on how far we can go. But a person 55 years of age is eligible for FHA insurance.

Mr. BARRETT. That is a very fine statement. I am glad to get it in the record.

Any other questions?

Mr. Kelley, we are certainly glad to have your views and the views of the members of your staff. Thank you very much.

Mr. KELLEY. Mr. Chairman, may I thank you on behalf of my staff, and myself, for the courteous and kind treatment we have received.

(The following letter and chart were submitted to the subcommittee by Mr. Kelley:)

FEDERAL HOUSING ADMINISTRATION,  
OFFICE OF THE DIRECTOR,  
Philadelphia, Pa., October 27, 1955.

HON. ALBERT RAINS,

*Chairman, Subcommittee on Housing,  
House Banking and Currency Committee,  
House Office Building, Washington 25, D C*

DEAR MR. RAINS. This communication represents a supplement to my personal appearance before your committee while its hearings were being conducted in Philadelphia on Friday, October 14, 1955.

My purpose in furnishing an additional statement is to provide a more complete answer to Congressman Widnall's question with respect to the adequacy of our personnel and its capacity to carry out effectively the objectives of the varied mortgage insurance programs which our agency is administering at the present time.

As you are generally aware, the operation of a field office of the Federal Housing Administration consists of basically a technical operation involving three separate sections, namely, architectural, valuation, and mortgage credit. The architectural section determines the acceptability of the security itself, the valuation section establishes an estimate of its value, and the mortgage credit section reviews the overall transaction and computes the percentage of risk our agency will insure.

Supplementing these basic technical operations, there is an administrative division which, in essence, directs the general administration of the office and furnishes a variety of services to the general public, mortgage lending, and building industries. The attached chart more clearly defines the staffing pattern of a typical class I insuring office.

The essential difficulty in properly administering the application, inspection, and insurance workload of a field office is complicated by a variety of factors of an economic character and changes in legislation which periodically either substantially increase or occasionally diminish the degree of our insurance activities. This situation, in turn, has a natural impact on our personnel strength and, unless there is some businesslike relationship between the number of personnel we may employ and the volume of insurance activity we are ex-

pected to administer, the problem of providing prompt and efficient service to the public and quality processing from an underwriting standpoint may be imperiled.

We believe that serious consideration should be given the relationship between the percentage of personnel and the volume of insurance activity which is handled, inasmuch as our agency is presently administering 12 separate mortgage insurance programs involving 27 distinct insurance plans. This particular relationship between the number of personnel and volume of business handled has been presented, we understand, on several occasions to the Congress under the assumption that our agency is a business type operation and should be permitted a degree of flexibility insofar as utilizing a definite fixed percentage of its income, represented by fees and premiums, so as to support a satisfactory overall mortgage insurance operation.

Two of the most important characteristics of our insurance operations are the soundness of the location and the stability of the security or housing unit upon which our insurance is predicated. It is especially important to recognize that the majority of our present and anticipated insuring operations will undoubtedly be located in suburban or semirural areas wherein the adequacy of the utilities, the condition of the ground, and the location of the house on the site will require more specialized study and review.

Under these circumstances, we are convinced that to maintain high quality and soundness in our insurance operations class I insuring offices should have their normal personnel staffing pattern supplemented by the skilled specialized positions noted below, as local conditions might warrant.

1. *Site planners*—A sufficient number authorized to handle the volume of insurance activity which is being initiated, in addition to making periodic field inspections while work is under way and especially during the approval of final inspections in partially completed developments.

2. *Subdivision appraisers*—A sufficient number of skilled specialists in this particular category who, besides collaborating with our land planning section in the processing of normal subdivision applications, may also work in conjunction with all local and regional planning commissions to constantly project the agency objective of improving housing standards generally.

3. *Sanitary engineers*—The projection of our insuring activities to rural and semirural areas as noted above, wherein private sewage and water systems will probably be utilized in housing developments, makes it imperative that qualified specialists in this category be constantly available, especially to review the preliminary proposals and to make actual inspections of the systems while work is in progress.

4. *Streets and drainage engineers*—The services of these specialists may be particularly employed in the preliminary planning of large-scale suburban developments where there is an absence of satisfactory street and paving requirements. These specialists could collaborate with the site planner and subdivision appraiser in connection with the orientation and approval of an overall development plan comprising a single project or an entire community.

5. *Mechanical engineers*—The presence of a qualified mechanical engineer on the local insuring staff would greatly enhance and improve the quality of our mortgage security, especially with respect to its plumbing, heating, and electrical features. This service would provide the twofold purpose of increased homeowners satisfaction and a decreased cost insofar as maintenance and operation is concerned.

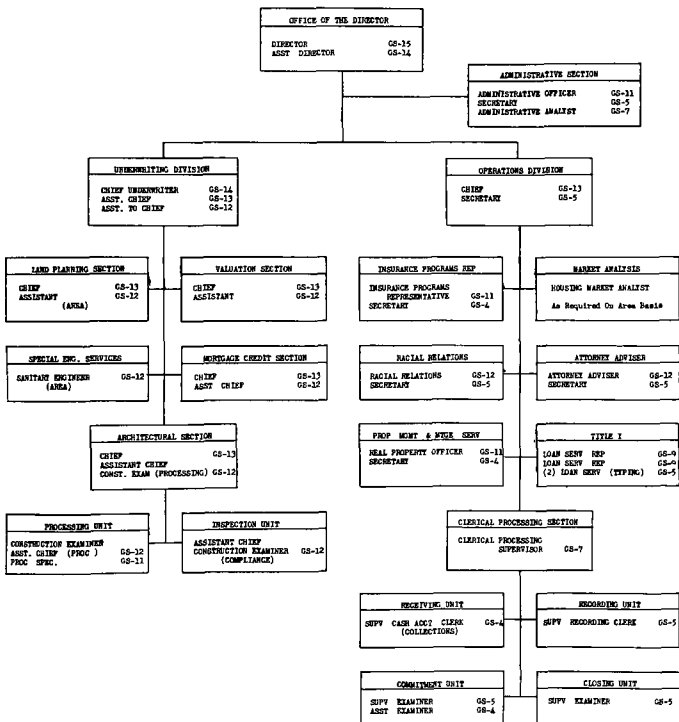
In my foregoing remarks I have endeavored to stress the need for not only an increase in the number of our personnel, but especially to supplement our staff with certain added positions requiring a higher degree of specialized skill and experience. The adoption of these recommendations, I am certain, would immeasurably contribute toward our objective of quality processing and undoubtedly increase the economic soundness of mortgage transactions which our agency endorses for insurance.

May I reiterate my thanks for the opportunity afforded me to appear before your committee and express the viewpoint of the Philadelphia office insofar as our mortgage insurance activities are concerned.

Very truly yours,

WILLIAM A. KELLEY, *Director.*

CLASS I F. H. A. TREASURY OFFICE - PHILADELPHIA, PA.



Mr. BARRETT. We will now hear from the Industrial Council, CIO, Mr. Will and Mr. Edelman.

Will the gentlemen identify themselves for the record, please.

### STATEMENT OF WILLIAM WILL, PHILADELPHIA INDUSTRIAL UNION COUNCIL

Mr. WILL. My name is William Will, and I am here on behalf of the Philadelphia Industrial Union Council representing more than 100,000 CIO members in this metropolitan area.

We in the CIO of Philadelphia have become increasingly concerned with the problem—

Mr. BARRETT. I would like at this time to have Mr. Edelman identify himself.

Mr. WILL. Here with me is Mr. John Edelman of the CIO national office.

Mr. O'HARA. Mr. Chairman, is this a proper time to say that because of the time limitation we have to be out of here by noon, and there will be no cross-examination, so there will be no misunderstanding, Mr. Chairman.

Mr. BARRETT. Yes, we have agreed to allocate 15 minutes to these two gentlemen, and we are going to try to hold to that, if possible.

Mr. WILL. I am sure we can take less than that.

We in the CIO of Philadelphia have become increasingly concerned with the problem of urban redevelopment. It concerns us not just because we are anxious to see our citizens living in homes which are pleasant and comfortable, but also because it is ever more apparent that housing blight is a spreading festering sore which is sapping the strength of our city and infecting the economic security of every job holder who lives and works here.

Philadelphia now finds itself in the midst of the rapid industrial expansion which is taking place in the Delaware Valley. Generally speaking, people in the middle income brackets, and above, are enjoying prosperous times, and yet because of the critical housing situation which exists in Philadelphia many of these people are leaving town in their search for better homes. With some few exceptions in the Northeast area, there is virtually no new private housing construction going on within our city limits. Thousands of former Philadelphians now live in places like Levittown, Springfield, Lansdale, and so forth, in adjoining counties as well as Pennsauken, Mount Holly, Cherry Hill, in New Jersey.

Just as this combination of area prosperity and poor housing is driving many middle income people away from our city, the same combination is serving to attract new citizens of a less fortunate economic status to our town. Most of these, especially Negroes from the South, find nothing but already blighted depressed areas open to them. Existing overcrowding is intensified. Multiple-family dwelling and tenement style living increases and spreads to new areas. Established residential areas are threatened and destroyed and more of our people start looking for new homes outside our city. Thousands of Philadelphians have left our city for this reason but there are also many thousands who cannot leave, even though they may be among the fortunate few who could afford a \$12,000 home in an adjoining county, the onerous commuting involved would make it impossible

or impractical for them to retain their jobs here. Many more refuse to leave their communities and to cut their ties with relatives and lifelong friends. This is a consideration which cannot be taken lightly.

Then, too, many of these people are afraid to move into outlying communities because of the reports they have heard about inadequate police and fire protection, school facilities, sewer facilities, and so forth. At least something is being done in the way of public housing for the low-income families frightfully inadequate as that may be, but for the middle-income families trapped in a city where housing rot is spreading all too quickly, absolutely nothing is being done. There is no solution for there is no place to see and no place to go.

But, again, it is not just the social tragedies caused by urban disintegration that we in the CIO are concerned about. Hard, cold economic facts are becoming increasingly important. Recent studies in Buffalo, Columbus, and Boston have proved again that the cost of city services such as fire and police protection, health maintenance, and the like, are at least four times as high in slum areas as they are for the city as a whole, and, incidentally, the Columbus study proved that the cost of slum housing per unit was actually higher than the cost of public housing per unit.

Nationally speaking, slum areas are responsible for 45 percent of our major crime, 55 percent of our juvenile delinquency, 60 percent of our TB, and yet they provide only 6 percent of our real-estate tax revenues.

As slums increase municipal costs increase and taxes increase. The problem is compounded by the exodus of new home seekers to outlying areas which increases the tax burden on those of us who remain. But there are more important costs involved in blighted housing than those of higher taxes. Whenever the housing situation in our city forces another person to move to an adjoining area we lose not only a citizen and taxpayer, we lose a customer who can contribute to the economic strength of our city. Already Philadelphia department stores have established numerous branch stores in suburban areas. The whole range of consumer services is showing the same trend. Manufacturers, too, are locating outside rather than inside our city limits. What this trend is costing our city in terms of tax revenues and our people in terms of jobs and income is undoubtedly a most impressive figure.

The obvious root of the housing problem is the fact that private home builders have not the slightest incentive to build new houses for our lower and middle income citizens. It is completely ridiculous to expect that private enterprise will ever get around to doing the job. Private enterprise operates in relation to markets, and our lower income families can muster nothing in the terms of effective market demand for housing. It should be remembered that there are 5½ million families in America with incomes of less than \$2,500 per year. For these reasons the CIO believes that the Federal Government must act quickly and dramatically to eliminate the housing rot which is suffocating Philadelphia and the other great cities across the land.

We earnestly urge initiation of a comprehensive and integrated Federal housing program designed to utilize community resources to the fullest and established on a long-term basis so that we at the local

level may know how to plan for more than a year at a time. Such a Federal program should give special attention to the following areas:

1. Large-scale slum clearance with replacement through public housing for our low-income groups.

2. Substantial assistance to our middle-income people through liberalized Federal credit and mortgage policies.

3. The problems of minority groups. One out of five Philadelphians is now a Negro, yet between 1934 and 1950 only 2 percent of FHA assistance was for nonwhite housing. The CIO urges that no Federal aid be available for racially segregated projects.

4. The housing problems of the aged, an increasing segment of our society which finds itself less and less able to compete effectively for the job market. Many of our older citizens are ineligible for public housing merely because of the fact that they are living alone.

5. The problems of large families for whom adequate housing is virtually unobtainable except in high-income areas.

6. Authorization for increased cooperative housing enabling local communities to make the most of their facilities. President Eisenhower's Commission on Housing has committed that it will cost \$1½ billion to eliminate the Nation's slums in the next 10 years. Failure to deal promptly and effectively with the housing problem will serve only to increase this figure, and to tighten the noose which is strangling our great metropolitan centers.

Mr. BARRETT. Mr. Will, I think you made a fine statement and covered much of the material the committee is interested in.

Mr. Edelman, I thought you were going to act in conjunction. Therefore, I asked for you to be identified at that time. We are going to allow you to go through your full statement, if you will identify yourself.

#### STATEMENT OF JOHN W. EDELMAN, WASHINGTON REPRESENTATIVE, TEXTILE WORKERS UNION OF AMERICA

Mr. EDELMAN. Mr. Chairman, my name is John W. Edelman; my official title is Washington representative of the Textile Workers Union of America. I am appearing here today on behalf of the national committee on housing of the Congress of Industrial Organizations.

Might I digress, Mr. Chairman, to say to the committee that I think it would be of greatest importance and value that these hearings throughout the country by this subcommittee should make it a special point to at least divide up the time before them between experts and representatives of both peoples' organizations and individuals who have personal housing problems. You will then begin to get more brilliant young men, such as my colleague here today, who will become familiar enough with this problem, will feel that this housing is not so technical a question that they cannot embark on a discussion of it, and ultimately will develop the kind of public support that is absolutely essential if this movement for the improvement of housing conditions in the United States is to develop momentum and certainty of continuance.

Might I also take a few seconds, Mr. Chairman, to make a personal reference here. I was particularly interested in testifying in this particular room for this reason: Over 20 years ago a historic meeting

in the history of housing in America occurred in this reception room of the mayor of Philadelphia. The No. 1 public housing project, actually not public housing but public-works project, that was built in America was the Carl Mackley houses in Philadelphia, an apartment project sponsored by the Hosiery Workers Union in this city. Out of that project grew the Labor Housing Conference of which I was the secretary. It was the Labor Housing Conference which it is historically admitted and agreed wrote the first housing legislation in this country, and actually sponsored the first public housing resolution adopted by a convention of the American Federation of Labor as Mr. Meany describes in the yearbook of the National Housing Conference.

The hearing in this room occurred as a result of a veto by the then mayor of Philadelphia, Hampton Moore, whom Congressman Barrett very well remembers, whose picture graces the wall back of me. Mayor Moore out of simple, sheer, unadulterated prejudice and spite vetoed an ordinance which merely eliminated from a paper plan a half street on the site being purchased for this project. We could not clear title until this ordinance had passed. It took us a struggle of over 3 months, and we had to fill this room with rank-and-file workers and citizens on several occasions and create considerable hubbub in Philadelphia until finally city council, and at that time a completely 100-percent old-line Republican organization, finally passed that ordinance over the mayor's veto.

I think without further explanation some of you will understand the drama of appearing now in this same room almost a quarter of a century later to discuss certain phases of an established and expanding program which had its beginning probably right here that many years ago.

Mr. Chairman, Congressman Rains several days ago asked me on behalf of the CIO that I direct my testimony especially to the problem of housing for the aged. I have prepared a paper and a good deal of supplementary data. In view of the time limitations might I request of the chairman a direction that I work out with the staff of the committee the presentation of these data, because there are some statistical insertions which I wish to make and work it out with the staff so that it may appear in the record. I particularly want to request that what I believe is quite remarkable data which the Committee on the Aging of the Department of Health, Education, and Welfare has prepared, bearing on this problem, be not included in the record in 6-point type but in 8-point type, so that it may be read by the Members of the Congress, and not the pages passed over, because of the difficulty of reading a lot of figures in small type.

Mr. BARRETT. The committee is willing to grant your request, and the staff director here indicated that you had been very helpful in accumulating data for the staff.

Mr. EDELMAN. Might I make a very strong recommendation to the committee I will do this in public and I will also do it in private, Mr. Chairman. I just discovered, when I began to do the research for this particular piece of testimony, that last year the University of Michigan Press has published a volume entitled "Housing for the Aged." It is an admirable job. It is an admirable compilation of the now available data bearing on this particular problem, and I would strongly recommend to the committee that, if it is at all feasible, an abstract of that volume be made so that it can become available to

the Members of Congress. It is the best compilation of its kind which is now available anywhere, I am sure. Might I further call the attention of all of the members of this committee to a pamphlet which has been issued in the last year by the Committee on the Aging in the Department of Health, Education, and Welfare, which in very simple language, but quite dramatically, presents a body of economic data in lay language and in simplified form which I think is absolutely essential to a consideration of this particular topic as indeed housing in general.

MR. BARRETT. I accept that for the record.

MR. EDELMAN. Might I finally, just quickly, Mr. Chairman, make this little gratuitous statement to this committee: I was, indeed, delighted to hear the present regional director of the Federal Housing Administration in this city assure this committee that he would be willing to cooperate, and, indeed, would rather welcome a bona fide cooperative that attempted to obtain a commitment for a cooperative project in this city or in this region.

I think you are well aware of the fact of the strong convictions which have been held by all of labor, in the necessity of the development of that type of program. I want to make this statement very emphatically. That this is an important change and an important development to have Mr. Kelley make this remark, because the previous FHA director of this region, did not take this attitude. I had organized a cooperative housing group in Allentown, Pa. As it happened the leader in it was a member of my own union and came to Philadelphia just to attempt to get the kind of preliminary advice for the establishment of such a cooperative. He was told that there wasn't such a project in this region, and there would be none. This is an issue that I fought out in Washington with the then Director of the Federal Housing Administration, and while I think probably I succeeded in getting the then Director reprimanded, it was not possible to reinstate the project.

I hope that the committee throughout the country will specifically ask this question, because no matter what the law said, there was until very recently, and may exist today for all I know, in most of the regional offices in the country, very active and, indeed, very candid resistance to helping groups seeking cooperative projects.

I can and will, I hope, give testimony later on in Washington on this particular problem, bearing on my own personal experience in other regions on this particular point.

Could I call the attention, if I may, sir, of the committee to a clipping which I stuck in my pocket and only discovered by accident when I was getting out my rail ticket here today, which appeared in the New York Times on August 22 of this year, in which it describes a study carried out by the Federal Reserve Board in cooperation with the University of Michigan. As I read this newspaper story, the study attempted to discover the attitude of the homeowners and renters in one region of the country, and the interesting thing is this: It says 30 percent of renters and 15 percent of owners interviewed were dissatisfied with their homes. Mostly because of inadequate space. The number of homeowners families, of course, they point out, climbed from 18 million to 25 million since 1948. I think that apparently this study is unique. I call it to the attention of your staff. I hope that the persons who developed this study will at the appropriate point in your itinerary testify. It would appear that here at last



is some rather impressive expert testimony as to the value and quality and the accreditability of so much of the blighted new housing which has been built in America upon which we have had no real firsthand testimony or almost none before members of this committee.

I think the whole story on housing for the aged is told in one picture, one photograph which is taken from the famous Family of Man exhibit which is touring the country, and which appears in the year-book of the National Housing Conference, depicting and dramatizing the type of citizen who is denied housing under the present regulations. These aging citizens are in fact denied housing of any decency and acceptability as to cost by present regulations of the National Housing Agency, in public housing, and the FHA.

Mr. BARRETT. Thank you, Mr. Edelman, for your very fine statement. I am not going to cross-examine you, but I just want to say before you go that Barrett and O'Hara from Illinois submitted the first bill for the aged.

Mr. EDELMAN. I am very well aware of that, and we supported it actively.

Mr. BARRETT. And it was stricken out in the conferee's report.

Mr. O'HARA. I might say I received in the 81st Congress my housing inspiration from the gentleman who has just addressed us so dramatically and so convincingly.

Mr. EDELMAN. Thank you.

#### MORE HOUSING FOR EVERYBODY WOULD BE BEST DEAL FOR THE AGING

Testimony by John W. Edelman, Washington representative, Textile Workers Union of America-CIO, appearing on behalf of national CIO's committee on housing

Testifying on behalf of the CIO national committee on housing on the particular problem of housing for the aging, we are obliged to say that what this country needs most desperately today is not so much separate or special shelter for elderly persons as an overall increase in the supply of housing for all our citizens and a comprehensive enlargement of all types of community facilities.

National CIO worked energetically and sincerely for the legislation introduced in the last session providing for 10,000 units of public housing specifically for the aged. We shall continue to press for these additional units in the next session of Congress.

CIO agrees with and actively supports the necessity for providing a certain amount of specially planned shelter for the use of aging families or persons. On the other hand, both practical experience and the advice of specialists in the field make it overwhelmingly clear that segregation of the aging is almost as cruel and stupid as consigning the old folks to the poorhouse. Indeed, present-day medical studies in this field show that the best way to avoid or postpone the day when some type of institutional care for the aging is needed is to enable and assist them to remain independent members of a normal community or group for just as long as possible.

My own first-hand knowledge of the housing problem, including housing for the aged began here in Philadelphia some twenty-odd years ago at the Carl Mackley Houses, the limited dividend apartment project sponsored by the American Federation of Hosiery Workers. This project continues to be one of the most important demonstrations of its kind in this country. In our first year's operation of that project we learned that even quite elderly men and women were not merely happier and better off physically when they lived on their own, but still near enough to other people where there was some companionship and at the same time unobtrusive assistance if needed.

This subcommittee should, and I assume already has, to some extent, made a survey of regulations and practices in the administration of public housing in the United States to determine whether single aged persons are barred every-

where from occupancy. Similarly a survey should be made to determine whether the practice of the Federal Housing Administration is such as to make it difficult or impossible for retired or elderly persons, single or married, to purchase or rent suitable private housing.

I read from a statement of policy by the Public Housing Administration :

"ELDERLY FAMILIES SERVED BY PUBLIC HOUSING

"Elderly families are admitted to public housing on the same basis as other families of low income. They have the same preference if displaced by public slum-clearance activities and have the same veteran's preference as other families.

"Single persons cannot be admitted to public housing under the present provisions of law. However, if there is one person surviving out of a family previously admitted, that person is permitted to continue in low-rent housing.

"In 1953, 5.9 percent of all families admitted to low-rent housing had heads of elderly families who were 65 years of age or over.

"The best picture of the aid which public housing is extending to elderly persons may be seen from data in respect to those living in the projects. In 1953 10 percent of all tenant families had heads 65 years of age or over. Of these elderly families, 17.6 percent were single persons (the residuum of former families), 62.3 percent consisted of two adults with no minors, while other types of elderly families accounted for the remaining 20.1 percent.

"The income of elderly families is very much lower than that of other families living in public housing. In 1953 the single elderly persons had incomes averaging only \$766, families consisting of 2 adults but no minors had average incomes of \$1,227, while all other elderly families had average incomes of \$1,548.

"Only 17.2 percent of elderly families were living wholly on their own resources. There were 52.7 percent of these families on relief, while 30.1 percent were receiving public benefits such as old-age or survivors' insurance."

A couple of days ago when I dropped in at the office of the Committee on the Aging in the Department of Health, Education, and Welfare, to obtain whatever research data are available on housing for the aged, I was informed that the staff of this subcommittee had requested a special memorandum from that office. Therefore, I assume that the Members of Congress considering this aspect of our housing problem are aware of the symposium entitled "Housing the Aging," issued as a book by the University of Michigan Press in 1954.

The Committee on Aging of the Department of Health, Education, and Welfare itself has compiled selected statistics as of June 1955 which provide a solid base for a searching look at the economics of housing for the aging. Since these charts make rather dry reading for those who are not too deeply involved in these problems, I am quoting herewith several paragraphs from pages in the book *Housing the Aging*, which simplify these data.

Henry D. Sheldon, of the United States Bureau of the Census, in an analysis of *Who Are the Aged*, says:

"In 1950 the percentage of persons aged 65 and over was 8.1 in the urban population, 8.6 in the rural nonfarm population, and 7.6 in the rural farm population. This pattern is essentially similar to that of 1940 even though the 1950 figures are based on the new definition of urban and rural residence which allocates some 8 million persons to the urban population who, under a definition comparable to 1940, would have been classified as rural and, for the most part, rural nonfarm. The net effect of this shift has been, in all probability, to decrease the proportion of older persons in the urban population and to increase the proportion in the rural nonfarm population, since, in general, the population involved is that of urban fringe areas which on the average is a younger population than that of the central cities which these areas surround.

"The figures for the standard metropolitan areas that are now available indicate that the percentage of persons aged 65 and over is greater in the central cities than in the remainder of the area of 'ring.' This difference reflects, in most instances, the fact that the suburban ring is an area of more recent settlement by younger persons. It also means, however, that older persons are found in greater concentrations living in the older structures of the central cities.

"In the United States there were 5.8 million males 65 and over as compared with 6.5 million females of the same age, or about 90 males per 100 females.

"The larger number of women among older persons is reflected in their distribution by marital status. In 1950, the percentage of single men and women was around 8; slightly more than one-third of the women, but almost two-thirds

of the men, were married; and more than one-half of the women, but about one-fourth of the men, were widowed. The large proportion of widows among women aged 65 and over, which reflects the higher mortality of males, the greater tendency of widowers to remarry, and the lower average age of women at marriage is, from the point of view of planning for the welfare of elderly persons, the most significant fact to emerge from the statistics of marital status.

"About 98 percent of the total population, and 96 percent of the population 65 and over live in private households.

"About 72 percent of all persons aged 65 and over maintain their own households. In short, nearly three-fourths of the older population live in what might be regarded as a normal family setting for adults.

"The next largest group of persons aged 65 and over—about 20 percent of the total—lives as relatives of the head of the household. For persons 65 and over in this group, the most common type of relationship to the head of the household is that of parent. In general, then, it is this group—about one-fifth of the total—that is found in the three-generation family setting. It does not, however, include the relatively small number of heads and wives of three-generation households who are 65 and over. The remaining 4 percent of the older population live in private households primarily as lodgers.

"The 1950 census for the Grand Rapids standard metropolitan area indicates that, although the proportion of home ownership is higher among household heads 65 and over than it is for all household heads, the income of the older heads is considerably below that of the general population. In the older population there are also appreciable differences by type of household. The income level of the heads of husband and wife households is considerably higher than that of the female heads of households and the remaining group falls into an intermediate position. There is also evidence in these advanced data that, in comparison with all households, those headed by elderly persons have, on the average, a smaller number of members, but, at least for homeowners, have, on the average, a greater number of rooms. The figures on dilapidation are inconclusive but suggest a higher incidence of dilapidation among the dwelling units of older renters than among those of renters in general.

"The number and proportion of elderly persons in our population has increased in the past and may be reasonably expected to do so in the future. A relatively small number of these persons live in institutions, hotels, lodging houses, and as lodgers in private households. A larger number live as relatives in the households of other persons—in many cases the households of their children. The great majority of older persons, however, live in their own households—households among which, in contrast to all households, the income of the head is lower, the membership is smaller, there are fewer complete husband and wife households, and more households headed by women. In any comprehensive program for improving the housing of our older population, it is this group which becomes a matter of primary concern."

The next chapter in this volume is entitled "Where and How Older People Live Today," written by Everett Ashley, Chief of Housing Economics Branch, Housing and Home Finance Agency. Mr. Ashley writes:

"To me the most striking thing about the living arrangements of older families is the high concentrations of 1- and 2-person families. This situation is largely the result of the maturing children leaving their parents' home and of the deaths of spouses. Over 68 percent of the group under study was made up of either single individuals or couples—25 percent single individuals, 43 percent couples. In fact, the over 65 group accounted for two-fifths of all 1-person nonfarm households. In contrast, only 33 percent of the younger families contained 2 persons or less. In absolute numbers, there were in nonfarm areas 1,405,000 single individuals over 65 years of age who maintained their own separate homes or apartments in 1950. Of these, 985,000 were women, while only 420,000 were men. In addition, there were 2,402,000 two-person families maintaining their own households, the head of which was over 65.

"The census figures show that older families tend to have larger quarters than do younger families. Nearly three-fifths of the aging had quarters containing five or more rooms, whereas less than half of the families under 65 years of age had units that large. Even in occupying units of eight or more rooms, the aging hold a definite edge over the younger families (11 percent compared with 5 percent).

"For many older families, ownership of a home, no doubt, represents part of their own social-security program, assuring them of a roof over their heads in

their declining years. A large group of the nearly 4 million homeowners of over 65 find in their homes a satisfactory shelter, at least as long as they are able to take care of it and are fit enough to fend for themselves. This is at least suggested by the fact that two-thirds of our older families live in dwellings which, in 1950, had all modern conveniences and were not dilapidated.

"For an indeterminate share of the group, however, homeownership is undoubtedly more or less of a burden. Because of sentiment, inertia, or economic necessity, elderly men and women continue in some cases to struggle with a house beyond their physical and financial means to carry.

"Undoubtedly, it is these situations which contribute to the fact that a somewhat larger share of our older families (8.4 percent) live in substandard housing than is true of younger families (6.9 percent). With failing strength and diminished income, some older household heads find the problems of house maintenance more than they can cope with. As a result, the structures gradually deteriorate to the point where they fall into the census classification of 'dilapidated'. Thus, in 1950, almost 7 percent of the dwellings owned by persons over 65 years of age were in poor condition, compared with slightly over 4 percent of the owner-occupied units headed by persons under 65.

"All of the poor housing occupied by the aging, however, cannot be attributed to the senility of its occupants. For instance, in the case of rental housing, the situation is far worse than that for owned homes. In contrast with the 7 percent of dilapidated units among aging owners, we found that nearly 12 percent of the dwellings rented by the aging were dilapidated. But the disparity among rented homes between the quality of the units of the older and younger families is not so great. Of the families whose head was under 65, nearly 10 percent also lived in dilapidated rented dwellings in 1950.

"The heavier concentration of low quality units among renter-occupied than among owner-occupied units is reflected in the comparative figures on rents and values. In contrast with the rest of the population, a heavy concentration of older families (40 percent compared with 21 percent for younger families) rent quarters for less than \$30 a month. Whereas rents of older families tend to concentrate at the lower end of the rent scale (75 percent paid less than \$50), the values of the homes owned, while not quite as high as those of younger families (\$6,000 versus \$7,400), are better distributed.

"Although much of the public interest in the problems of housing the aging has been centered around the infirm and the chronically ill, numerically a bigger need for thought and action is in housing for generally healthy but aging persons. In this group, especially among those who are renters, the problem is often largely economic. For instance, as the heads of families pass 65 they tend to retire or at least to curtail their work. This, in turn, results in a decline in income. As a result, many aging renters find themselves no longer able to afford the quarters which previously had satisfactorily housed them.

"About 94 percent of the aging live out their lives in a conventional house, not necessarily their own, but at least in a home of relatives or friends. It is obvious that any way in which their homes can be made safer, healthier, and more pleasant to live in will ease the economic burden on the aging themselves and on those who ultimately must care for them. This is particularly important for countless aging couples and single individuals who for economic reasons are doomed to live out their remaining years feeling themselves to be a burden upon relatives or friends. Equally significant, it will ease the burden on the taxpayers by substantially reducing the number of aging who might otherwise have to be cared for in institutions at public expense."

The third chapter from which I will quote is on Where and How Older People Wish to Live, by Dr. Wilma Donahue, chairman of the division of gerontology at the University of Michigan. Dr. Donahue states:

"Only a few studies have been made of the housing preferences of older people. The most salient fact emerging from those studies which have been reported is the almost universal desire for continued independence in living arrangements.

"In Manhattan, Kans., a survey of 50 older families revealed that their first preference was to continue living in their present homes. Poor health did not alter their desire for independent living arrangements. In the event of illness, they indicated that they would want to continue to live in their own homes under the care of a nurse or companion. If this arrangement were not possible, they would, at a last choice, live with their children but would want separate quarters in their children's homes.

"The same wish for independence was shown in a survey of 6,000 people who had retired or were approaching retirement. This group, composed largely of families in the higher income brackets, also wanted the privacy of living in their own homes. Two-thirds preferred a single-family detached dwelling with two or more bedrooms built on a larger than average lot.

"At the University of Illinois a survey was made of 130 retired faculty members to determine their housing preferences. The oldest members of the group wanted elevator apartments and all members preferred individual renting. A campus site was preferred and such special services and facilities were stipulated as community dining rooms, drugstore and small grocery, community lounge, social and recreational rooms, community laundry, hobby and study areas, and parking space. These people would like to have maid service but do not want a nurse or a physician in residence, preferring instead to make their own arrangements for medical care.

"A study of retired people in St. Petersburg, Fla., indicates that both men and women wish to live in self-owned detached dwellings. The next most preferred arrangement would be to live with another person of the same sex in a single dwelling. In no instance was a choice made of a facility of the rooming-house type with a central dining service.

"The same disinterest in communal types of housing was evidenced in a recent survey made of the needs expressed by older people in Grand Rapids, Mich. Almost half of the sample interviewed reported some dissatisfaction with present living arrangements, and almost a quarter wanted to change their housing; no one indicated a desire to move into an old-age home or other type of congregate arrangement, including the homes of sons and daughters.

"On the other hand, in a survey of the aged in the State of Rhode Island, approximately one-third of the 2,400 persons admitting dissatisfaction with their housing indicated that they would like a congregate arrangement in which they could maintain their own quarters and yet be near other old people and have access to communal facilities for recreation, housekeeping, and the like. Half of the 2,400 dissatisfied people said that they would prefer to live independently rather than with children or relatives."

TABLES FROM AGING, ISSUED BY UNITED STATES DEPARTMENT OF HEALTH,  
EDUCATION, AND WELFARETABLE 21.—Dollar and relative cost of elderly couple's total budget, housing, and  
other goods and services, 34 cities, October 1950

City and State	Dollar cost			Relative cost (Washington, D C = 100)		
	Total budget	Housing <sup>1</sup>	Other goods and services	Total budget	Housing <sup>1</sup>	Other goods and services
Atlanta, Ga.....	\$1,748	582	\$1,166	94	87	98
Baltimore, Md.....	1,779	603	1,176	95	90	99
Birmingham, Ala.....	1,772	607	1,165	95	90	98
Boston, Mass.....	1,880	640	1,240	101	95	104
Buffalo, N Y.....	1,698	584	1,164	91	80	98
Chicago, Ill.....	1,818	578	1,240	98	86	104
Cincinnati, Ohio.....	1,650	485	1,165	89	72	98
Cleveland, Ohio.....	1,805	590	1,215	97	88	102
Denver, Colo.....	1,746	577	1,169	94	86	98
Detroit, Mich.....	1,818	573	1,245	98	85	104
Houston, Tex.....	1,855	670	1,185	100	100	99
Indianapolis, Ind.....	1,746	569	1,177	94	85	99
Jacksonville, Fla.....	1,795	621	1,174	96	93	98
Kansas City, Mo.....	1,687	507	1,180	91	76	99
Los Angeles, Calif.....	1,866	605	1,261	100	90	106
Manchester, N H.....	1,737	550	1,187	93	82	100
Memphis, Tenn.....	1,726	563	1,163	93	84	98
Milwaukee, Wis.....	1,908	705	1,203	102	105	101
Minneapolis, Minn.....	1,765	577	1,188	95	86	100
Mobile, Ala.....	1,620	475	1,145	87	71	96
New Orleans, La.....	1,602	436	1,166	86	65	95
New York, N Y.....	1,782	543	1,239	96	81	104
Norfolk, Va.....	1,774	612	1,162	95	91	97
Philadelphia, Pa.....	1,783	587	1,196	96	87	100
Pittsburgh, Pa.....	1,767	554	1,213	95	83	102
Portland, Maine.....	1,733	548	1,185	93	82	99
Portland, Oreg.....	1,866	630	1,236	100	94	104
Richmond, Va.....	1,712	581	1,131	92	87	95
St Louis, Mo.....	1,711	527	1,184	92	79	99
San Francisco, Calif.....	1,833	567	1,266	98	85	106
Savannah, Ga.....	1,658	532	1,126	89	79	94
Scranton, Pa.....	1,614	463	1,151	87	69	97
Seattle, Wash.....	1,852	583	1,269	99	87	106
Washington, D C.....	1,863	671	1,192	100	100	100

<sup>1</sup> Average rent paid in each city for tenant-occupied 2- and 3-room dwellings, built or converted before 1947, that conform to the housing standards specified for the budget, plus the cost of required amounts of heating fuel, gas, electricity, and water.

Definition: The budget family consists of a husband and wife approximately 65 years old, who maintain their own 2- or 3-room rented dwelling and who are able to get about and take care of themselves. The husband is retired or has only occasional employment. The family does not own an automobile. The elderly couple's budget was designed to represent a level of living which provides the goods and services necessary to maintain health and allow normal participation in community life, in accordance with current American standards. Social and conventional as well as physiological needs are taken into account. The level of living described is not luxurious but is sufficiently adequate to provide for more than the basic essentials of consumption.

Source: Bureau of Labor Statistics, Monthly Labor Review, September 1951, p 305, table 1

TABLE 22.—Total money income of all families in the United States, and of families with heads aged 55 and over, 1952

Total money income	All families	Age of head of family	
		55-64	65 and over
Number (in thousands).....	41,020	6,340	5,356
Percent.....	100 0	100 0	100 0
Under \$500.....	4 1	5 3	9 0
\$500 to \$999.....	4 4	4 6	13 8
\$1,000 to \$1,499.....	5 3	6 5	13 3
\$1,500 to \$1,999.....	5 5	6 5	9 5
\$2,000 to \$2,999.....	14 1	14 4	15 2
\$3,000 to \$4,999.....	33 9	29 1	21 8
\$5,000 to \$6,999.....	19 4	16 0	8 7
\$7,000 to \$9,999.....	9 1	9 9	5 3
\$10,000 and over.....	4 1	7 5	3 6
Median income.....	\$3,890	\$3,805	\$2,276

Definitions. A family is a group of 2 or more persons related by blood, marriage, or adoption and residing together. The total money income referred to in this table is money income received by family members in 1952 from wages or salary, net earnings from self-employment, interest, dividends, rents, social insurance and related programs, public assistance, private assistance, and contributions. Income as defined here excludes money receipts from the following sources: withdrawals from bank deposits, loans, tax refunds, gifts, lump-sum inheritances or insurance payments, and income derived from sale of assets. It excludes also income in kind, such as the value of home-grown food, free housing, and contributions of food or clothing.

Source: Bureau of the Census, Current Population Reports, Consumer Income, series P-60, No. 15, April 1954, table 7.

TABLE 23.—Total money income of persons living alone or with nonrelatives, by age, 1952

Total money income	14 and over	55-64	65 and over
Number (in thousands).....	9,774	2,072	2,858
Percent.....	100 0	100 0	100 0
Under \$500.....	20 0	17 8	26 7
\$500 to \$999.....	20 2	18 5	38 5
\$1,000 to \$1,499.....	12 0	12 1	12 8
\$1,500 to \$1,999.....	9 4	9 8	6 7
\$2,000 to \$2,999.....	16 3	17 4	8 2
\$3,000 to \$4,999.....	17 2	19 5	4 3
\$5,000 to \$6,999.....	3 4	3 4	1 5
\$7,000 to \$9,999.....	1 0	. 4	6
\$10,000 and over.....	6	9	7
Median income.....	\$1,409	\$1,580	\$803

Definitions. The individuals included in this table are either living alone or are living in households with no relative present. Total money income is defined as in table 22.

Source: Bureau of the Census, Current Population Reports, Consumer Income, series P-60, No. 15, April 1954, table 7.

TABLE 24—Percentage distribution of men with income in specified age intervals, by amount of money income, 1952<sup>1</sup>

Income	Age							
	Total	14-19	20-24	25-34	35-44	45-54	55-64	65 and over
Total.....	100 0	100 0	100 0	100 0	100 0	100 0	100.0	100.0
Loss.....	0 6	0 2	0 2	0 3	0 7	0 7	1 3	0 8
\$1 to \$499.....	7 7	57 1	6 0	1 8	2 2	3 2	5 1	14 1
\$500 to \$999.....	8 2	21 3	10 0	2 4	2 7	4 2	8 7	27 9
\$1,000 to \$1,499.....	7 2	6 9	15 8	4 8	4 6	4 4	8 0	14 7
\$1,500 to \$1,999.....	6 7	5 0	14 5	4 9	5 1	6 0	8 6	8 5
\$2,000 to \$2,499.....	8 3	4 8	12 8	9 3	7 2	8 4	8 5	7 0
\$2,500 to \$2,999.....	8 5	1 1	11 4	10 0	8 8	8 2	9 6	6 2
\$3,000 to \$3,499.....	13 2	2 7	12 4	16 8	14 0	15 3	13 7	6 7
\$3,500 to \$3,999.....	9 7	. 6	6 6	13 5	11 2	12 1	9 2	3 0
\$4,000 to \$4,499.....	7 8	-----	3 6	10 8	11 0	8 2	7 6	2 4
\$4,500 to \$4,999.....	5 7	1	2 2	8 0	8 3	6 1	4 9	1 7
\$5,000 to \$5,999.....	8 0	-----	3 6	9 7	11 0	10 5	6 9	3 1
\$6,000 to \$6,999.....	3 2	-----	. 8	3 8	5 4	4 3	2 3	1 0
\$7,000 to \$9,999.....	3 2	2	. 1	3 1	5 2	6 3	2 5	1 3
\$10,000 to \$14,999.....	1 0	-----	-----	6	1 6	1 4	1 6	6
\$15,000 to \$24,999.....	. 6	-----	-----	2	8	1 0	8	5
\$25,000 and over.....	. 3	-----	-----	-----	2	7	7	5
Median income.....	\$3,105	\$437	\$2,137	\$3,493	\$3,709	\$3,486	\$3,009	\$1,247

<sup>1</sup> Excludes institutional population.

Source Bureau of the Census, Current Population Reports, series P-60, No 14, table 3

TABLE 25.—Percentage distribution of men with income in specified income intervals, by age, 1952<sup>1</sup>

Income	Age							
	Total	14-19	20-24	25-34	35-44	45-54	55-64	65 and over
Total.....	100.0	6 0	7.2	22 9	21 5	17 6	13.3	11.4
\$1 to \$499.....	100 0	45 3	5.7	5 4	6 2	7 4	8 9	21.0
\$500 to \$999.....	100.0	15 7	8 8	6 7	7 1	9 0	14 1	38 6
\$1,000 to \$1,499.....	100 0	5 8	16 0	15 3	13 8	10 8	14 8	23 3
\$1,500 to \$1,999.....	100 0	4 5	15 6	16 6	16 3	15 7	16 9	14 4
\$2,000 to \$2,499.....	100 0	3 5	11 2	25 6	18 7	17 9	13 6	9 6
\$2,500 to \$2,999.....	100 0	. 8	9 7	26 9	22 3	17 0	15 0	8 3
\$3,000 to \$3,499.....	100 0	1 2	6 8	29 1	22 8	20 4	13 8	5 8
\$3,500 to \$3,999.....	100.0	. 4	4 9	31 8	24 8	22 0	12 6	3 5
\$4,000 to \$4,499.....	100.0	-----	3 3	31 6	30 3	18 5	12 9	3 5
\$4,500 to \$4,999.....	100 0	. 1	2 8	32 1	31 4	18 9	11.4	3 4
\$5,000 to \$5,999.....	100.0	-----	3 3	27 8	29 7	23 2	11.5	4 4
\$6,000 to \$6,999.....	100 0	-----	1 7	26 6	35 6	23 2	9.3	3 5
\$7,000 to \$9,999.....	100 0	. 4	2	21 7	34 3	28 7	10.2	4 5
\$10,000 to \$14,999.....	100 0	-----	-----	13 6	34 1	24 4	21 0	6 8
\$15,000 to \$24,999.....	100 0	-----	-----	8.4	30 9	31 6	18 9	10 2
\$25,000 and over.....	100 0	-----	-----	-----	13 5	39 1	29 5	17 9

<sup>1</sup> Excludes institutional population.

Source Bureau of the Census, Current Population Reports, series P-60, No 14, table 3.



TABLE 26.—Receipt of money income and median income, 1949, for persons aged 65 and over, by age, sex, and living arrangements, 1950<sup>1</sup>

Sex and living arrangements	Percent with no money income, 1949			Median income of persons with income, 1949		
	Total	Aged 65-74	Aged 75 and over	Total	Aged 65-74	Aged 75 and over
Men.....	18	14	27	\$1,150	\$1,440	\$770
In own household.....	14	12	20	1,290	1,540	810
Head of primary family <sup>2</sup> .....	14	12	21	1,420	1,640	850
Married, wife present.....	13	11	19	1,460	1,680	860
Other.....	22	17	29	1,000	1,290	800
Primary individual <sup>3</sup> .....	15	13	19	790	860	690
Not in own household.....	33	26	42	810	920	650
Living in home of relatives.....	38	32	46	770	870	630
Parent of head.....	42	34	48	730	870	630
Other.....	30	29	39	850	870	640
Living with nonrelatives.....	2	17	28	890	1,000	700
Women <sup>4</sup> .....	42	39	47	680	720	620
In own household.....	31	29	33	720	750	660
Head of primary family <sup>2</sup> .....	41	40	42	720	740	680
Primary individual <sup>3</sup> .....	23	22	26	720	750	660
Not in own household.....	54	51	58	640	680	580
Living in home of relatives.....	58	56	61	610	630	570
Parent of head.....	62	60	63	570	590	560
Other.....	49	47	53	680	730	600
Living with nonrelatives.....	33	29	39	750	810	640

<sup>1</sup> Excludes institutional population.<sup>2</sup> 1 or more related persons present.<sup>3</sup> Living alone, or with nonrelatives present.<sup>4</sup> Excludes married women living with husband.

Source: Bureau of the Census, U. S. Census of Population: 1950, vol. IV, pt. 2, ch. D, Marital Status, table 6.

TABLE 29.—Income saved, assets and net worth, and homeownership, of all spending units and spending units with head aged 65 and over, specified years, 1950-54

Income saved, assets, homeownership, debt, and net worth	All spending units	Spending units with head aged 65 and over
Percent of 1960 income saved		
Total.....	100	100
Negative savings.....	32	35
None.....	7	19
1 to 9.....	24	20
10 to 19.....	16	10
20 to 29.....	9	5
30 to 49.....	8	6
50 and over.....	4	5
Liquid asset holdings, 1954		
Total.....	100	100
Zero.....	26	32
\$1 to \$499.....	28	18
\$500 to \$1,999.....	24	19
\$2,000 to \$4,999.....	13	18
\$5,000 and over.....	9	13
Median.....	\$350	\$500
Homeownership, nonfarm families, 1954.		
Total.....	100	100
Owns home.....	56	63
Pays rent.....	40	27
Other.....	4	10
Net worth, 1953.		
Total.....	100	100
Negative.....	11	3
0 to \$999.....	20	21
\$1,000 to \$4,999.....	23	15
\$5,000 to \$24,999.....	35	42
\$25,000 and over.....	11	19
Median.....	\$4,100	\$8,400
Debt as a percent of net worth, 1953.....	13	4

Definitions: A spending unit is a group of persons living in the same dwelling and related by blood, marriage, or adoption, who pool their incomes for major items of expense. Income saved is the difference between current income and current expenditures, which include expenditures for nondurable goods and services and for automobiles and other consumer durable goods, but do not include expenditures for the purchase of houses, which are regarded as capital assets. Expenditures to reduce debt are counted as savings and increases in debt are deducted from savings. Total assets include liquid assets (savings accounts, checking accounts, Government bonds, postal savings, shares in savings and loan associations, and credit unions) automobiles, owner-occupied home or farm, other real estate, business interest, corporate stock, and livestock and crops on farms. Variable-value assets consist of consumer capital goods, such as automobiles and owner-occupied nonfarm houses, and business and investment assets, such as owner-occupied farms, farm machinery, livestock, crops, interest in unincorporated business or privately held corporation, real estate other than farm or house on which owner is living, and corporate stock. Fixed-value assets include liquid assets and loans made by spending units. Total debt includes mortgage on homes, farms, and other real estate, amounts owed in installment purchases and on charge accounts, as well as miscellaneous debts to financial institutions, businesses, and individuals. Net worth is the difference between total selected reported assets and total reported debt.

Source: Survey of Consumer Finances, Federal Reserve System, Federal Reserve Bulletin, September 1951, p. 1063, reprint of article originally appearing in September 1953 issue of Federal Reserve Bulletin, supplementary table 10, unpublished data from 1953 Survey, also 1954 Survey of Consumer Finances; reprint of article originally appearing in June 1954 issue of Federal Reserve Bulletin, supplementary table 13, reprint of article originally appearing in July 1954 issue of Federal Reserve Bulletin, supplementary table 3, unpublished data from 1954 Survey.

TABLE 30—Retired workers, entitled and nonentitled spouses, and aged widows receiving both old-age and survivors insurance benefits and specified types of public assistance at end of 1951

Beneficiary and spouse	Number of persons in survey	Percent with specified type of public assistance				
		Total	Old-age assistance	Aid to the blind	Aid to the disabled <sup>1</sup>	General assistance
All beneficiaries.....	20,954	14.8	14.5	0.2	(?)	0.2
All nonentitled spouses.....	2,890	2.5	1.5	.1	(?)	.8
Retired men workers.....	11,348	15.7	15.4	1	-----	.2
Nonmarried.....	4,503	22.2	21.7	.2	-----	.3
Married (total).....	6,845	1.5	11.3	1	-----	.1
Wife entitled						
Man.....	4,228	11.2	11.0	.1	-----	.1
Wife.....	4,228	11.9	11.6	.2	(?)	.1
Wife not entitled						
Man.....	2,617	12.0	11.8	.2	-----	.1
Wife.....	2,617	1.8	3.8	.1	(?)	.9
Retired women workers.....	2,624	18.1	17.8	2	-----	2
Nonmarried.....	2,135	20.0	19.7	.2	-----	.2
Married (total).....	489	9.8	9.8	-----	-----	-----
Husband entitled <sup>4</sup>						
Woman.....	216	15.3	15.3	-----	-----	-----
Husband <sup>4</sup> .....	216	13.4	12.5	.5	-----	.5
Husband not entitled						
Woman.....	273	5.5	5.5	-----	-----	-----
Husband.....	273	9.2	8.4	.4	-----	.4
Aged widows.....	2,538	12.3	11.9	.3	(?)	1

<sup>1</sup> Permanently and totally

<sup>2</sup> Less than 0.1 of 1 percent

<sup>3</sup> A few wives of retired men workers who were not entitled to benefits although they were aged 65 and over and a few wives under age 65 were eligible for old-age assistance. These wives were recipients in their own right and not as persons essential to the welfare of their husbands

<sup>4</sup> Husband entitled to old-age benefit on own wage record

Source: Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age and Survivors Insurance, National Survey of Old-Age and Survivors Insurance Beneficiaries, 1951.

TABLE 31.—Retired workers and spouses, and aged widows under old-age and survivors insurance, with specified amounts of independent money retirement income in 1951, with old-age and survivors insurance benefits adjusted to 1954 level<sup>1</sup>

BENEFICIARIES WITH NO BENEFIT SUSPENSIONS

Independent money retirement income	Retired men workers				Retired women workers			Aged widows
	Total	Non-married	Married, wife entitled	Married, wife not entitled	Total	Non-married	Married <sup>2</sup>	
Number.....	10,863	4,358	4,059	2,446	2,531	2,068	473	2,528
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than \$300.....	1	1	(?)	(?)	2	1	4	3.8
\$300 to \$599.....	19.4	31.2	6.7	19.4	42.7	45.7	25.4	36.3
\$600 to \$899.....	26.9	38.5	11.7	31.2	30.6	31.9	24.7	39.3
\$900 to \$1,199.....	14.6	11.1	19.7	12.5	9.8	8.3	16.3	8.6
\$1,200 to \$1,499.....	13.4	6.4	23.3	9.4	8.1	6.5	15.2	4.2
\$1,500 to \$1,799.....	7.7	4.3	11.6	7.2	3.6	2.6	7.6	2.3
\$1,800 to \$2,099.....	6.4	3.7	8.6	7.7	2.0	1.5	4.4	1.7
\$2,100 to \$2,399.....	3.9	1.4	6.3	4.2	1	.6	1.3	1.1
\$2,400 to \$2,999.....	3.5	1.0	6.1	3.5	1.1	8	2.5	1.1
\$3,000 or more.....	4.2	2.2	6.0	4.7	1.2	1.0	2.1	1.7
Median.....	\$975	\$746	\$1,352	\$893	\$670	\$530	\$894	\$876

<sup>1</sup> Represents 12 months' OASI benefits received in 1951, increased by the conversion table in the 1954 amendments, and money income received during the 1951 survey year from employer, union, and veterans' pensions, rents, interest, dividends, and annuities, and income from trust funds

<sup>2</sup> Husband not entitled on wife's wage record

<sup>3</sup> Less than 0.1 percent

Source: Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age Survivors Insurance, National Survey of Old-Age and Survivors Insurance Beneficiaries, 1951.

TABLE 32.—Value,<sup>1</sup> mortgage debt, and owner's equity in nonfarm houses occupied by all spending units and spending units aged 65 and over, early 1954

Amount	All spending units			Spending units with head aged 65 and over		
	Value	Mortgage debt	Owner's equity	Value	Mortgage debt	Owner's equity
Total .....	100 0	100 0	100 0	100 0	100 0	100 0
Zero .....	( <sup>2</sup> )	49 0	( <sup>2</sup> )	( <sup>2</sup> )	82 0	( <sup>2</sup> )
\$1 to \$4,999 .....	19 0	28 0	34 0	24 0	15 0	30 0
\$1 to \$2,499 .....	( <sup>2</sup> )	( <sup>2</sup> )	15 0	( <sup>2</sup> )	( <sup>2</sup> )	16 0
\$2,500 to \$4,999 .....	( <sup>2</sup> )	( <sup>2</sup> )	19 0	( <sup>2</sup> )	( <sup>2</sup> )	14 0
\$5,000 to \$7,499 .....	18 0	12 0	23 0	25 0	( <sup>2</sup> )	22 0
\$7,500 to \$9,999 .....	16 0	7 0	13 0	10 0	2 0	8 0
\$10,000 and over .....	46 0	4 0	29 0	37 0	1 0	36 0
\$10,000 to \$12,499 .....	18 0	( <sup>2</sup> )	12 0	16 0	( <sup>2</sup> )	16 0
\$12,500 to \$19,999 .....	19 0	( <sup>2</sup> )	11 0	13 0	( <sup>2</sup> )	13 0
\$20,000 and over .....	9 0	( <sup>2</sup> )	6 0	8 0	( <sup>2</sup> )	7 0
Not ascertained .....	1 0	( <sup>2</sup> )	1 0	4 0	( <sup>2</sup> )	4 0

<sup>1</sup> Value was estimated by respondents, except that houses purchased during 1953 were valued at purchase price

<sup>2</sup> Not available

<sup>3</sup> No cases reported, or less than 1/2 of 1 percent.

Source: 1954 Survey of Consumer Finances, Federal Reserve System, supplementary table 15 attached to reprint of article originally appearing in June 1954 issue of Federal Reserve Bulletin, and unpublished data from 1954 Survey

TABLE 33.—Homeownership and mortgage status of old-age and survivors insurance beneficiaries, classified by sex and marital status, at end of survey year 1951

Home ownership and mortgage status	Retired men workers				Retired women workers			Aged widows
	Total	Non-married	Married, wife entitled	Married, wife not entitled	Total	Non-married	Married <sup>1</sup>	
Number in survey...	12,364	4,769	4,513	3,082	2,744	2,235	509	2,553
Total .....	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Home not owned .....	50 4	75 3	35 9	33 1	67 4	72 7	43 8	58 3
Home owned .....	49 6	24 7	64 1	66 9	32 6	27 3	56 2	41 7
Without mortgage .....	40 8	20 8	53 6	52 9	26 3	22 0	44 8	35 1
With mortgage .....	8 8	3 8	10 4	14 0	6 4	5 2	11 4	6 6

<sup>1</sup> Husband not entitled on wife's wage record.

Source: Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age and Survivors Insurance, National Survey of Old-Age and Survivors Insurance Beneficiaries, 1951.

TABLE 34—Number of persons in paid civilian employment by coverage under a public retirement plan, March 1955

Coverage	Number (in thousands)	Percent
Total aid employment.....	62,330	100 0
Covered by a public program.....	58,160	93 3
Old-age and survivors insurance only <sup>1</sup> .....	48,240	77 4
Government employee retirement only.....	8,350	13 4
Federal.....	4,950	7 9
Civilian.....	1,760	2 8
Armed Forces <sup>2</sup> .....	3,190	5 1
State and local <sup>3</sup> .....	3,400	5 5
Eligible for coverage under OASI.....	3,220	5 2
Not eligible for coverage under OASI.....	180	3
Joint old-age and survivors insurance and other public retirement plans.....	1,570	2 5
Railroad retirement.....	1,180	1 9
State and local.....	390	6
Not covered by a public program.....	4,170	6 7
Agriculture.....	1,540	2 5
Wage workers.....	410	.7
Self-employed.....	1,130	1 8
Domestic service.....	760	1 2
Other.....	1,870	3 0
Eligible for coverage under OASI <sup>4</sup> .....	420	7
Not eligible for coverage under OASI.....	1,450	2 3

<sup>1</sup> Includes 760,000 State and local government employees covered by old-age and survivors insurance and not covered by State or local retirement systems

<sup>2</sup> In addition to credits under the military retirement systems, members of the Armed Forces may receive wage credits of \$160 per month under old-age and survivors insurance through June 30, 1955, under certain conditions

<sup>3</sup> The following summarizes the classification of State and local government employees for the purposes of this table. Of the total of 4,690,000 such employees, 140,000 were not covered under any public program. The remainder were covered as follows:

Covered by old-age and survivors insurance only.....	760,000
Covered by State and local systems only.....	3,400,000
Covered jointly by old-age and survivors insurance and State or local systems.....	390,000

<sup>4</sup> Includes 280,000 ministers and 140,000 State and local government employees who, though eligible to elect coverage, had not done so in March 1955

Source: Estimated June 1955 by Bureau of Old-Age and Survivors Insurance from Census Bureau's Monthly Report on the Labor Force, and other sources

TABLE 35.—Average remaining years of life in the United States at specified ages, by sex and race, 1850, 1900-1902, 1952

Age	White males			White females			Nonwhite males	Nonwhite females
	1850 <sup>1</sup>	1900-1902 <sup>2</sup>	1952	1850 <sup>1</sup>	1900-1902 <sup>2</sup>	1952	1952	1952
At birth.....	38 3	48 2	66 6	40 5	51 1	72 7	59 1	63 7
40.....	27 9	27 7	31 4	29 8	29 2	36 1	27 5	30 6
50.....	21 6	20 8	23 0	23 5	21 9	27 2	20 4	23 2
60.....	15 6	14 4	16 0	17 0	15 2	19 0	15 0	17 4
70.....	10 2	9 0	10 3	11 3	9 6	12 0	11 1	12 9
80.....	5 9	5 1	6 2	6 4	5 5	6 8	8 0	9 2

<sup>1</sup> Represents Massachusetts only. Longevity in Massachusetts considered to be indicative of that in the country as a whole at that time

<sup>2</sup> Represents only the original death registration States: Connecticut, District of Columbia, Indiana, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

Source: Metropolitan Life Insurance Co., Gains in Longevity Since 1850, Statistical Bulletin, February 1955, p. 5 (Figures based on various publications of the National Office of Vital Statistics and the Bureau of the Census)

TABLE 36.—Persons aged 65 and over in institutions, by type of institution, 1950

Type of institution	Number (thousands)	Percent distribution
Total population, aged 65 and over.....	12,256,850	100 0
In institutions.....	385,419	3 1
Not in institutions.....	11,871,431	96 9
Total persons aged 65 and over in institutions.....	385,419	100 0
Homes for the aged.....	217,536	56 4
Public.....	60,424	15 7
Federal-State.....	14,218	3 7
Local.....	46,206	12 0
Private.....	157,112	40 7
Voluntary.....	65,204	16 9
Proprietary (including nursing homes).....	91,908	23 8
Mental hospitals.....	141,346	36 7
Federal.....	2,674	. 7
State-local.....	131,822	34 2
Private.....	6,850	1 8
Chronic hospitals.....	8,857	2 3
Tuberculosis hospitals.....	6,592	1 7
Correctional institutions.....	5,140	1 3
Homes and schools for mentally handicapped.....	4,184	1 1
Other.....	1,764	. 5

Source: Bureau of the Census, U. S. Census of Population, 1950, Special Reports, pt 2, ch. C, Institutional Population, and vol II, U. S. Summary, pt 1, table 99.

#### CHICAGO DEVELOPS A NEW APPROACH IN THE HOUSING OF THE AGED

July 1953

(By Albert G. Rosenberg, supervisory, community and tenant relations, Chicago Housing Authority)

More than 40,000 persons are now housed in the 22 low-rent housing projects under operation by the Chicago Housing Authority. This represents 10,000 apartment units; approximately 10,000 additional units are either in the blueprint or actual construction stages. The number of aged tenants in CHA projects has been increasing over the past years and the authority is currently housing about 2,000 persons 60 years of age and older. And we are looking ahead to a greater and greater number of aged applicants.

In most projects we are attempting to house these older people in a pattern where they are well mixed in with other families. It is our experience that when a number of aged families live in one apartment building, and through illness and general disability a number are unable to take care of stair halls, etc., the whole building, as far as it depends on tenant aid in maintenance, tends to deteriorate.

One of our new projects has been constructed so that an apartment can be subdivided in such a way that an individual aged person can live in a separate one-room unit, sharing a bath and kitchen with another separate unit of the same kind. This other unit can be assigned to a younger person.

Currently, we are cooperating with the committee on the aged of the Welfare Council of Metropolitan Chicago on a pioneer project at Prairie Avenue Courts, where 36 one-bedroom units in a 7-story elevator building are occupied by couples who are at least 60 years or older (The remaining 12 two-bedroom units are occupied by families with children and the rest of the project houses families in normally mixed aged groups.) The committee on the aged, without attempting to create an institutional atmosphere in the building, is coordinating the services of about a dozen health and welfare agencies and hospitals which are cooperating in this attempt to discover and meet the special health and welfare needs.

In other words, this committee is trying to find out what the most suitable and beneficial pattern of housing of aged might be, and is working with the

housing authority to bring it about. The research phase of this project is under the auspices of the University of Chicago Family Study Center.

The authority further makes a practice of having appropriate project staff people participate in institutes and workshops on needs and services to the aged held in Chicago from time to time.

#### SPECIAL PROBLEMS TO BE DEALT WITH

All this represents an effort to develop a new approach to the housing of the aged and to deal with the many special problems which are thrust upon us. Hardly a day, for instance, goes by when we are not informed of some serious situation caused by an aged tenant who is physically or mentally ill. Because residents live closely together in apartment-type buildings in our projects, problems caused by such aged tenants who have become bedridden or show signs of mental disturbance are quickly noticed by the tenants and management staff.

We find that the death of one spouse is apt to start the decline of the surviving husband or wife. When this deterioration reaches the point where the tenant can no longer take care of his apartment or do his share of, for instance, cleaning his section of the stair hall, he quickly becomes a burden and a nuisance to the neighbors. Often the neighbors help out for a while, but as the problem continues over a period of time they become discouraged and the aged tenant's apartment becomes filthy and at times even vermin-infested.

When our CHA project staff members become aware of such problems they call the conditions to the attention of the various community service agencies in an attempt to have them step in. However, even in cases where the agency is active with a family—and many of our aged in the projects are recipients of old-age assistance—we find that the agency is not always successful in bringing the situation under control. In those cases where the aged person does not have a tie to a social agency and refuses to seek medical or counseling help on his own, we encounter the toughest problems.

For instance, an aged woman whose husband died a few years ago causes frequent disturbances, demonstrating various symptoms of mental disorder. No agency is active in her case, but the records of an agency which had once been active indicate that a diagnosis of dementia praecox, paranoid type, had been made.

We have brought this situation to the attention of a number of agencies, but the woman is unwilling to accept any help. There is no agency in Chicago which has the authority to have a physician examine such a person to establish his or her state of mental health and, if necessary, arrange for commitment to an institution; only through the court and police can this be done and complaint by a third party.

#### ENCOURAGING EDUCATIONAL AND LEISURE TIME PROGRAMS

Our management staff attempts to encourage recreation, health, and social agencies to offer educational and leisure-time programs in which aged tenants can participate. Frequently older people form club groups, but we observe that they quickly disintegrate for lack of the needed group work staff service. The housing authority, quite correctly, is not permitted to provide direct service, such as group work, case work, etc.; this is the responsibility of the appropriate public and private agencies set up to carry out such functions.

We are hopeful that continued effort on our part, in cooperation with the welfare council, will bring about a solution of some of these problems.

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#### RYDERWOOD, WASH., A THRIVING COMMUNITY FOR RETIRED WORKERS

January 1954

A former logging camp in the southwestern part of the State of Washington is today the scene of a new and thriving community of retired workers.

Ryderwood is a small town built in the early 1920's by the Long Bell Lumber Co. in the midst of their timber holdings. Eventually the surrounding timber was cut and the town ceased to serve an economic purpose so far as the lumber company was concerned. So the Long Bell people put it up for sale.

The purchaser was a group of businessmen headed by Col. William F. Brandt, a retired Los Angeles banker who, in April 1953, organized Senior Estates, Inc.,

as a strictly business venture to sell the individual homes to retired men. The \$90,000 sale price included all buildings and utilities in the town, and the new owners have sunk additional capital in needed repainting and rehabilitation of the property.

Sales are limited to those who have a legitimate retirement income of between \$135 and \$250 per month. This income range was determined upon because it was felt it was in this bracket that the greatest need for housing of this type existed. An elderly couple with less, presumably, could not afford to finance a house; one with more is considered too well off to qualify.

Homes are being sold on the following basis: 4 rooms at \$2,500, \$200 down and \$20 a month; 5 rooms at \$3,000, \$250 down and \$25 a month; 6 rooms at \$3,500, \$300 down and \$30 a month. They are sold on nonassignable contracts and the monthly payments are figured to include 6-percent interest. In order to preserve the character of the town, purchasers are not given unlimited resale rights. However, in the event of the purchaser's death or removal, Senior Estates, Inc., will buy back the property, or it may be sold directly to another individual who meets the requirements of the corporation.

All told, the town contains some 400 houses of which 183 have been reconditioned and offered for sale. As of the middle of October, 44 have been sold and 35 occupied. Inquiries have been received from all over the country including Hawaii and the Panama Canal, and it is expected that the rest of the houses will be sold in short order.

To provide special services for the townspeople, Senior Estates has set up a separate corporation organized on a nonprofit basis in which each property owner has one vote. This corporation is now in operation and provides electricity, water, a sewage system, and garbage collection.

The community already has a garage and filling station, a grocery store, an appliance store and a barber shop, all operated by residents. A former cabinet maker has set up a small shop and is making cupboards, furniture, etc., to order. Another resident has set up a toy-making shop and is making and marketing a small toy duck.

There is plenty of room for other small business, according to Colonel Brandt. He and his associates are discouraging outsiders from locating businesses here in the expectation that the residents themselves can supply the need as it develops.

The nearest doctor is located 13 miles away, but he is planning to set up a clinic within the community in charge of a registered nurse where he would spend 1 day a week and make calls as required. There is also a community building which contains meeting rooms and a 150-seat theater. The theater is not yet in use, but community get-togethers have been organized around square-dancing, community singing and games, etc.

Ryderwood has already received national publicity through an article in *Time* and several other publications, it is reported, are also preparing stories. If the project succeeds, as there is every indication that it will, it should encourage other similar ventures by those who believe that homes for the aged can be provided on a paying basis.

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#### CLEVELAND COMBINES HOUSING WITH AN OLD-AGE CENTER

May 1954

(By Leona Bevis, executive secretary, committee on older persons, Cleveland Welfare Federation)

In Cleveland, Ohio, a public housing authority and a voluntary financed old-age center are joining hands to serve the community's old folks. Brick masonry is going up for a 156-suite apartment building, an extension of Cedar Apartments which happens to have been the first public housing in the United States. This new apartment building will contain 100 suites especially designed for older people. The first floor will be set aside for an old-age center to be operated by a citizen board of trustees, financed by voluntary contributions.

The 156-unit elevator apartment building is only one part of 408 dwelling units to be erected as part of the present Cedar Apartments. Most of the 408 dwelling units are to be 2-story row houses for families with small children. The housing authority recognizes, however, that the community has new problems due to greater numbers of older people. Also, it finds that an increasing number of older applicants for housing are forced to live on very low-fixed incomes.



## NO ISOLATION FOR OLDER RESIDENTS

In planning housing with special features for the aged, so that stair climbing can be eliminated and people with similar interests and modes of living can be together, the authority also recognizes that older people should not be isolated. They should live near younger people and children because this kind of living, as close as possible to a normal family setting, is mutually helpful to those of all ages.

In line with this thinking, out of the 156 dwelling units to be provided one-third are to be 2-bedroom units which will be occupied by 3 or 4 persons. Thus, with 4 units out of 12 on each floor occupied by families, there will be a reasonable mixture of young and old people. By administrative control, the two-bedroom occupancy in this building is to be limited to couples having an aged parent living with them or couples with very young babies.

A typical floor design of the elevator apartment building is a unique combination of the standard central corridor plan and the so-called gallery plan producing an S-shaped floor plan. Gallery bays placed off center in the westerly and easterly sides of the building give outdoor corridor access to one-bedroom units. This arrangement also permits cross ventilation. The galleries will be cantilevered out so as to provide maximum sitting and exercise space with the sun in the east in the morning and in the west in the afternoon.

The 1-bedroom units are so designed as to permit easy conversion of the 1-bedroom unit into a twin living-bedroom combination merely by installing a closet in the living room to convert it into a living-bedroom.

This makes it possible to deal with the problem created by the death of 1 of the members of a 2-person aged family. Heretofore, when such a death left a widow or widower, the housing authority was forced to evict the remaining spouse, often creating real hardships. It now proposes to pair up 2 such residual 1-person families, 2 women or 2 men, and have them share a 1-bedroom unit that has been converted into a twin living-bedroom combination. This gives each person the privacy of his or her own living-bedroom, but the two would share the remaining space—kitchen-dining room, bath room, and storage closet. All one-bedroom units will have special features such as nonslip floors in bathrooms, handrails in bathtubs, and grab bars adjacent to fixtures, etc.

## THE OLD-AGE CENTER

The old-age center will be open to persons living in the building, in the neighborhood, and from anywhere in the city. This is possible since it is located in the near downtown section and on convenient transportation.

The center program will be directed by a qualified group worker. The activities program will include social activities, crafts, lounge, and meeting facilities, as well as a cafeteria. Food service may be given high priority since it is expected that many of the people using the center will live alone. The present plans include the serving of a noon meal only. This meal will be made available at cost and include one-half the nutritional needs of an individual for 1 day. The center program will provide counseling and referral services to agencies serving older persons as well as the opportunity to participate in social activities and to pursue hobbies.

Mr. BARRETT. The committee will now hear Mr. Walter Gay, of the NAACP.

**STATEMENT OF WALTER GAY, CHAIRMAN, HOUSING COMMITTEE,  
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED  
PEOPLE**

Mr. GAY. My name, as indicated by the chairman, is Walter Gay. I represent the National Association for the Advancement of Colored People. It occurs to me that the mere name of the organization which I represent will be sufficient introduction as to its activities to the committee. I think I can state, as you possibly know already, it is one of the largest grassroots organizations in the country, having a paid membership of over a half million, and whose local membership in Philadelphia has been sometimes reckoned in five figures.

It strikes us that this committee could not present a comprehensive and all-embracing report on housing in the country to the Congress itself in the absence of receiving the views of the representatives of that group, which probably is most in need of the beneficent objectives which housing legislation apparently had in view.

Now, fundamentally, the National Association for the Advancement of Colored People complains to you and to the Congress on the score that housing legislation, as administered, results in discrimination and segregation, as far as Negroes are concerned. It strikes us that the allegation of segregation and discrimination in housing as administered is so apparent as to not require argument, and I think that those of us of intellectual sincerity are probably convinced that it is violative of the equalitarian provisions of the Federal Constitution. If you check the manuals which have been issued by the Federal Housing Administration over the last 15 years, you will see that that policy, though not spelled out, is implied.

The recent discharge of Frank Horne—I believe that is his name—who headed up the Racial Relation Service of the Housing Administration, and the concurrent and subsequent emasculation of the program of that committee; that is, of the Race Relations Committee, I think is indicative of the Bourbon fixation, shall we say, which affects those which administer this policy, this Federal housing legislation, and possibly the best proof of it, of course, is the fact that, as administered, it has resulted in the establishment of several hundred or more ghettos throughout the country, and the attending result not only of establishing ghettos, of which we disapprove, of course, but the attending result of denying Negroes participation in the other sections of housing legislation.

Witness Levittown, for example. The NAACP feels that administration of this legislation has been more or less with the purpose of maintaining existing patterns of discrimination, ghettos, and further extending them.

Now then the protagonists of this view concede—that is, of this philosophy—concede that it results in inequities and feel rather apprehensive as to testing its legality in the Supreme Court. However, they argue and they swear by what they allege to be the obvious necessity of this pattern of procedure, and it is that, gentlemen of the Congress, that allegation of the necessity of expediency of this position that I want to discuss with you primarily today, because that is the bulwark, as we take, of the arguments to support discrimination, to support the ghetto approach, and in discussing that, I make bold to take our own Philadelphia as an example.

Philadelphia is in nowise, as I can see, tremendously different from the rest of the American Commonwealth. We have here the same interplay of faiths, of ethnic backgrounds, of cultures and religions that you have throughout the country generally. If there is any difference, I think it would be a difference in the quantum of energy, enterprise, and vision which has been displayed by its citizens in the protection of the ideal of human dignity and human personality.

Now in Philadelphia it is not the custom, nor is it the policy of this community, to demand any proof higher or other than that of need as a qualification for participation in public housing. Similarly, in housing which is built under the provisions of the redevelopment

authority it is illegal to deny participation in that program on the grounds of race. I don't want to burden the committee with statistics, but they are interesting, statistics which indicate that the housing projects operated by public housing authorities here and redevelopment authorities, that tens of thousands of American citizens who work together by and large and who live together under the provisions of this legislation, and similarly in other features of housing legislation let's think where you don't have public administration but where you have private sponsorship, but the Government by and large insures the mortgage, that is its play in the situation.

Significant progress has been made here along that line, and we feel, and I see no rhyme or reason why the Philadelphia story cannot be the story of this country at large.

Now then, I know that there are those who hold that advances in human relations can only occur after and through a long period of education. I submit that this committee, gentlemen, that the history of our times argues against gradual gradualism, and the theory of the time lock on progress, I submit to you, the speciousness of it is shown recently in the story of our sister State of New Jersey, and the beneficent results which follow very recently, on the one hand, from adoption of its constitution, and also—and I point out this because I feel it is significant, gentlemen, that there is no single element or act of education which is more far-reaching and which is more effective than the solemn pronouncement of Government itself as to a standard of public morality, and that is what we are asking the Congress to do.

Now, then, we submit that the segregationists are completely oblivious to the destiny of the Republic itself. They simply do not realize the entwining of the longings and the aspirations of the human spirit and the destiny of the Republic. I am about to conclude, but I would say this, and I think it is obvious: that not matter what section of our population you took, be it Jew, Catholic, Negro, or others, and sat them aside, they would become suspect. It would matter not whether they had the finest house in the community. If you set them aside they become suspect, and we submit to you that any connivance by Government through regulation or otherwise which impedes and inhibits Americans from entering the main stream of public life is attended by tensions and complications far in excess of any illusionary advantages which prompt such actions.

Now, gentlemen, in the long look, the just action is the expedient action. I submit to you that there is no more resting than simple statement in human thought than that which says "A man is a man." and also submit to you, if you look around the world in objective fashion, you will agree that most, certainly many of the evils which beset the world today resulted from the simple denial of that premise, or the arrogant intention to completely overlook it. The world presently struggles for the achievement of that concept and that idea. I am just about to finish, Congressman. America has the opportunity to play a great role there because throughout the world forces are organized against ignorance, bigotry, suspicion.

As I say, this country has a great opportunity to play a leading role in that struggle. Gentlemen, the Republic dares not accept a role other than that of leadership.

MR. BARRETT. Thank you, Mr. Gay, for your very fine statement.

The committee will now hear Mr. Lewis Carter, of the Armstrong Association.

Mr. Carter, will you identify yourself for the record?

Mr. CARTER. I am Lewis Carter, executive director of the Armstrong Association.

Mr. BARRETT. Mr. Carter, we are going to be as generous with time as we possibly can. We are going to try to give you 10 minutes.

Mr. CARTER. Thank you.

### STATEMENT OF LEWIS CARTER, ON BEHALF OF THE ARMSTRONG ASSOCIATION

Mr. CARTER. Mr. Chairman and gentlemen of the committee, ample statement of facts has already been given by the officials of our city government and our citizens to place you well aware of the fact that housing in all of its aspects is a matter of deep concern for the city of Philadelphia. It has been established, we are certain, that not only have our city officials and citizens groups carefully assessed the problems, but they are moving vigorously to create machinery and plans to relieve them.

It has been stated, we are sure, that Philadelphia feels that the problem of housing transcends all boundaries of political subdivision and social classification in its overall importance to the commonweal of our metropolitan Philadelphia area. It has been made clear, I am sure, that private housing must be materially increased throughout the entire Metropolitan Philadelphia area to meet the very imminent possibility of shortage in the private housing market from a supply standpoint of view.

It has also been made clear that the most acute housing needs and those which to date are so largely unmet are those of the lower-income groups.

It has been clearly mentioned that not only must housing, building, both public and private, continue at an accelerated pace, but the tools of urban renewal and plans for urban redevelopment must stay prominently in the picture if a proper supply of standard housing is to be available to Philadelphia families and if Philadelphia is to be relieved of the rating of having the worse slums in the country. Public officials and others with grasp of the details of the public housing problem for Philadelphia have already stated that the housing needs of Philadelphia minority groups, and particularly the Negro minority, must be given specific attention and high priority. The burden of our statement shall be to clearly show why this attention must be given and why this top priority. Assuming that the understanding of Philadelphia housing situation in general has already been clearly set before you, we of the Armstrong Association shall attempt to set forth facts and other evidence as would further inform you of the high incidence of the negative factors in housing fall upon the Negro community as this group attempts to meet its housing needs.

These negative factors seem likely to plague us for years to come unless a forthright approach is made to them. We point up further that the privation in housing does not stop with the lack of housing alone, as important as that is, but that it is a major contributing factor to social misbehavior and inability to fulfill citizens' responsibilities

in general, so often mentioned in connection with the Negro community.

If housing is in short supply or threatens to be, if equality of housing threatens to throw our city into a lower classification as to health and general well-being, we state emphatically that these factors have a higher incidence for the Negro families in Philadelphia.

No private housing is available to the Negro buyer or renter. At least three well-documented studies of recent date point out that whereas between 140,000 and 150,000 new private housing units have been built and offered to the Philadelphia market, since the end of World War II, less than a thousand of these units, or a fractional part of 1 percent have been available to the Negro purchaser or renter. This is in spite of the fact that he represents between 18 and 20 percent of the total population of our city.

This disadvantage is heightened when it is realized that for the past two decades the Negro population of our city has been on the increase at a rate far greater than that of the white population, for between 1940 and 1950, the Negro population in Philadelphia increased 50 percent, while the white population increased 8 percent.

What housing is available to the Negro householder falls generally in the bracket of lowest quality. The 1950 census report shows that eight times as many Negro families live in substandard housing as white families. These same reports also show that overcrowding is three times as frequent with respect to the Negro household as the white households.

Further reference to these reports reveals that in spite of the low quality of housing rentals unit by unit are paid for at a higher price by Negro householders. It also conclusively can be proven that standard houses for purchase carry a higher price-tag for the Negro group. This would fall as a natural consequence if housing is in short supply, and is accentuated by the fact that Negroes are restricted from living in many, many neighborhoods. When the factor of restricted income based on limited employment opportunities is added to the picture, a dismal outlook, indeed, faces the Philadelphia Negro family.

It is our understanding that your honorable body is especially interested in matters related to redevelopment and urban renewal. The 1950 census reports and careful studies done recently bring into clear and shocking focus that between 48 and 50 percent of the Negro families in Philadelphia are housed in areas certified for redevelopment. Only 12 percent of the white families are so housed. These statistics foreshadow the situation faced by the Negro citizens and the government agencies who are facing the problem of handling this group as redevelopment proceeds.

The reports of the Philadelphia Housing Authority show that the householder of this 50 percent of the Negro population in redevelopment areas faces absolutely no supply of private rental accommodations if the family unit consists of 5 or more persons and more than 2 bedrooms are needed. He can approach no market at his median income, and, indeed, his median income is low for the 1950 census data on the areas affected, and the Negro families who reside in these areas is shown to be somewhere between \$2,000 and \$3,000 a year. In such a circumstance he is poorly equipped, indeed, to avail himself of even the best facilities for relocation; so where to turn but to other blighted

areas, what else but the entirely unsatisfactory lend-or-lease purchase contract for purchase?

Our city's plans and anticipations for improvements in public housing, in which you at the level of Federal Government play so important a part, are the only hope for decent housing for the citizens who live in these areas. The home-building industry and all of its allied and supporting institutions must be aware of the needs of the Negro buyer and renter fortunate enough to live outside of these areas.

It is our understanding, further, that your committee is quite anxious for facts regarding the housing problems of the age group 65 years and over. The 1950 census reports show that in our redevelopment areas, and again, where the lowest income will be found, there are disproportionately larger numbers of public persons who have attained this golden-age level. Fifty-six and one-tenth percent of the Negro persons over 65 years of age live in areas designated for redevelopment. Only 5.1 percent of the white persons in our city live in these redevelopment areas. Planning for housing for the aged in our city ought well consider the statistics which I have just mentioned.

Gentlemen of the committee, we have attempted to support the weighty evidence of the Philadelphia citizens and official family in pressing problems in the field of housing. We join others in urging you of the Federal Government that you share this concern with Philadelphia. Especially do we urge that whatever is needed in planning to meet the housing needs of the colored Philadelphian, that it be considered by you as highly essential and of extreme importance.

Thank you.

Mr. BARRETT. Mr. Carter, that is an excellent statement and goes right down to the base of our problem. I am sure our committee will agree that you offer a very helpful statement.

You are submitting that for the record?

Mr. CARTER. I would like to submit it for the record, if I may.

Mr. BARRETT. Thank you very much.

The committee will now hear Mr. Jacob Hulitt, National Housing Commission of the American Legion.

#### **STATEMENT OF JACOB HULITT, ON BEHALF OF THE NATIONAL HOUSING COMMISSION OF THE AMERICAN LEGION**

Mr. HULITT. Mr. Chairman, gentlemen of the committee, I have appeared before committees similar to your own on a number of occasions and I am glad to be here, especially to look at the pleasant face of Congressman Barrett.

Mr. BARRETT. May I interpose this at the present time—

Mr. HULITT. I will only take a couple of minutes.

Mr. BARRETT. As long as you are going to take a couple of minutes. We want to be as generous with you as we possibly can, and I am sure you understand our problem.

Mr. HULITT. I do.

Mr. BARRETT. We are going to try to give you as much time as we can to fully make your statement.

Mr. HULITT. Thank you very much. I don't think I need to elaborate much. I think the statement for Philadelphia, gentlemen of the

committee, has been well stated by our mayor and others who are interested in our housing and slum clearance problem. What I might add would be merely cumulative, and so I shall not take up the time of the committee. I do want to make this statement as a result of my abundance of investigation, as chairman of the committee of housing, Philadelphia County Council of the American Legion, which consists of 102 posts and also as a former member of the Federal Housing Enforcement Board in Philadelphia.

I think what we need today in Philadelphia more than anything else, and I am saying it because I don't think this phase of it has been covered, and it is to make aware to the home builders that they too are part of our citizenry, and to me it occurs that there is a great deal of moral and intellectual blindness on their part, considering that the Government has been so generous to them. All of the bounties of the Government have been extended to these people. We have had windfalls and everything else, and today they do build a great many of these frills, they build these dream houses, but no houses for the person of modest means. It would seem to me, and if I were to make any point at all before this committee, I should like to urge you gentlemen, if at all possible, if you would not include in future legislation some measure which would prohibit the loaning of Government money to these people who would not at least make some proportionate share of the houses they build for people of modest means. They are not doing it today.

The outer edges of our city are all built up with dream houses, \$21,000 and \$23,000, and the profits are enormous; unconscionably so. So I would urge you gentlemen to include in your future legislation that no Government loans should be extended to those who are so morally and intellectually blinded to our city's problems and with that I have no further statement to make.

Mr. Chairman and gentlemen of the committee, I have omitted to ask to include a statement as part of my remarks which I recently wrote in a local newspaper. May I ask that it be included in my statement?

Mr. BARRETT. Yes, it will be included.

(The following data was submitted by Mr. Hulitt:)

#### FRANKLY SPEAKING

[From the Observer, September 26, 1955]

#### FRANKLY SPEAKING

(By Jacob Hulitt, national housing commission, American Legion; pinch-hitting for Nat Frank)

#### OUR HOUSING PROBLEM

The end of World War II found the United States confronted with the greatest housing shortage of its history—a shortage that will not be overcome for many years. Thousands of families having lived through war in cramped and steadily deteriorating houses, deserve, and should have, living quarters at a price the average American family can afford. Veterans particularly, returning to their country from the far-flung battlefields, are imbued with the stern conviction that a nation capable of evoking undreamed-of energies for destruction can, and should, provide houses worthy of American genius for its defenders and at a price they can afford, and not be victimized by selfish and grasping profiteers who stayed home while they suffered and bled on foreign soil. Like Old Man River, private enterprise just keeps rolling along in the same old way at the same old, if not even greater, profits. Under the circumstances, the Federal

Government must not only continue its present housing program but must accelerate it

On January 8, 1949, I told the then Joint Congressional Housing Committee, among other things, "that by all means let us adhere to the private-enterprise system if it works. But let us build houses in any event and by whatever system of economics that will best serve the welfare of the greatest number of our citizens who are in need of decent housing." At a time when veterans were setting up housekeeping in abandoned chicken coops, real-estate lobbyists were telling the Congress and the American people that there was no housing shortage at all, but only an "overconsumption of space" and the same reckless gentlemen had the audacity to link the late Senator Taft with Communists—because the Senator sponsored a public-housing bill. And here is an immortal gem emanating from the same source. Read it and decide for yourself whether this is 20th century American thinking. "I do not believe in democracy," one of these lobbyists wrote to his employer, "I think it stinks. I believe in a Republic operated by elected representatives who are permitted to do the job as the board of directors should. I don't think anybody but direct taxpayers should be allowed to vote. I don't believe women should be allowed to vote at all. Ever since they started, our public affairs have been in a worse mess than ever." And this and some more of the same from a \$25,000-a-year spokesman for the National Association of Real Estate Boards. It is difficult to believe that so primitive a mind is able to influence housing legislation in our National Capital. But it does, and to the detriment of the national welfare.

The postwar period witnessed many nondescript individuals enter the home-building business made possible by the bounty of the Federal Government. This generosity was intended to encourage building of houses, and not as manna for speculators and profiteers. It is unfortunate for the country that the acquisition of wealth appears to be the only goal so many people strive for without self-restraint or moral idealism. People kill themselves in the greedy pursuit of wealth; not that they don't have enough but because others have more. So we find today neurotics worshipping and dancing around the golden calf. Why? I suppose because money is the most obvious stamp of success. In this connection it should also be said that the conscience of millions of our citizens are shocked as they view much of what transpires today. One is reminded of the old English quatrain and its bearing on much of the business practices today. It reads:

"The law locks up both man and woman  
Who steal the goose off the common  
But lets the greater felon loose  
Who steals the common from the goose."

The greedy and grasping home builders stand self-condemned. They show no interest in the welfare of our country that has been so generous to them, nor do they show any interest in the veteran who deserves a decent house he can afford. Speculators and profiteers dominate this field. Neither the veteran nor the average citizen have had basic training for this unequal contest.

We have in our community men and women of preeminent ability, character, wealth, and social prestige who are in a position to usher in a new social ideal responsive to the community's need. Such citizens, from their vantage grounds, are the proper persons to call attention to the callousness, weariness, and frustration of this material age, and impress upon those absorbed in the pursuit of wealth for wealth's sake the advantage which ethical ideals may bring to all of us. Why not build homes now for those who need them at a price they can afford to pay.

The outer edges of our city is almost completely built up with "dream houses" alluring to the feminine eyes. Many people can ill afford to buy them but they do buy, inflationary prices notwithstanding. I hope I am wrong, but I greatly fear that a bust is likely to follow this boom, and when the bust does come, good old Uncle Sam will, I suppose, have to man the pumps. One way to avoid this calamity is to build homes for people of modest means, who would not be required to mortgage their lives to own a home. Unless this is done, the blame for any future disaster will rest on the home builders more than on any other segment of our citizens.

The home builders must abandon their old plans, their old and selfish spirit and their new and exorbitant profits. This is not only good morals and good economy but also good for our country.

Our country can always get enough men to die for it. What we need at this moment, in many spheres of life, is men to live for it—men willing to do some-



thing constructive, altruistic and practical; men with a high sense of duty, fitted to lead and to teach by precept and by example a nobler standard than now prevails in the market place.

Here is a challenge—who in our community will accept it and lead the way?

(Jacob Hulitt is a former member of the National Housing Commission of the American Legion; former vice chairman, Department of Pennsylvania American Legion Housing Commission and now chairman of the Committee on Housing, Philadelphia County Council, American Legion.)

I think you made a very fine statement and we appreciate your coming here and giving it to us.

We will now hear the Citizens Council on City Planning.

Mr. Levine, will you properly identify yourself for the record.

Mr. LEVINE. My name is Aaron Levine. I am the executive director of the Citizens Council on City Planning. That is a nonpartisan private citizens agency devoted solely to better city planning for Philadelphia. On behalf of the board of directors—

Mr. BARRETT. Mr. Levine, I just want to again caution you on time.

Mr. LEVINE. Yes.

Mr. BARRETT. We will give you as much time as we can, and I am sure you can appreciate our desire to hear everybody.

Mr. LEVINE. I hope to be through in about 7 minutes.

#### STATEMENT OF AARON LEVINE, ON BEHALF OF THE CITIZENS COUNCIL ON CITY PLANNING

Mr. LEVINE. The Citizens Council was formed 12 years ago on the sound conviction that citizens' participation in planning was essential. The small group which actually formed the Citizens Council was made up of the same people who stimulated the city government of Philadelphia to establish a city planning commission in 1942. And since their inception, these 2 agencies, the public 1, the Philadelphia City Planning Commission and the private agency, the Citizens Council, have worked very closely on the premise that the independent citizens' viewpoint is important in the planning of our city.

There has been a constant attempt to try to capture the ideas of the citizen, his hopes, his ideas, and desires, in the technical plans prepared by the planning commission itself.

In 1945, after the passage of the Pennsylvania Urban Redevelopment Act, techniques were developed by our city planning commission, the redevelopment authority, and the private agencies to work toward urban redevelopment. This was 4 years before the passage of the National Housing Act. Local citizen groups and citywide private agencies actually produced four major redevelopment plans in which the neighborhood people were an important part of the process.

This, we believe, is the proper approach to planning in a democratic society. The Citizens Council has found in its work with community groups that there is tremendous interest and willingness on the part of the citizen to spend time in studying the problems of his community and in examining the possible solutions. That is one reason we were so pleased to find that the workable program of the 1954 Housing Act gave official recognition to this important potential in the community, but it is this very asset of our community that the Citizens Council wishes me to bring to your attention today. We believe that this

factor in urban redevelopment and renewal could receive greater consideration.

In those redevelopment areas where the citizen's interest was obtained through a local representative committee working on a neighborhood plan with the technicians of the city planning commission, or any other agency, public interest was developed to the extent that persons living in the area firmly believed that physical and social improvements were going to occur in their neighborhood. Consequently we often discovered a new moral and sometimes a New Look. But then when the funds become inadequate, the processing delayed or a change made in the programing, a reaction would set in that was not healthy. The citizen attitude would drop and there would be an apparent speedup in the deterioration of the neighborhood.

We fully recognized the many safeguards that the public agencies must exert on each aspect of the redevelopment process, due to the great amount of public funds involved and the powers that are implied, and we know that the official agencies are required to review each aspect of the project which make up a redevelopment program for any given neighborhood.

Parenthetically, may I add just a personal note at this point. In a former capacity as senior redevelopment planner with the Philadelphia City Planning Commission for 5 years, before 1952, I learned at firsthand the complexities and difficulties of the program. Then in 1952, as a Federal employee in the position of area planner for Western United States, Office of the Administrator of the Housing and Home Finance Agency, I learned the complexity of the program from still another angle, so that I can realize the difficulties of the program itself, and finally returning to Philadelphia, and my present capacity as director of the Citizens Planning Agency, I found myself looking at the problem through the other end of the telescope.

I tell you this to demonstrate that we know very well how difficult the program is and we know that the local agencies, the regional agencies, and the Washington staff must review in time-consuming periods every aspect of the program. We do believe, however, that the decentralization that has occurred can expedite the process. We suggest, however, that in those areas where redevelopment is lagging due to the necessarily complex official procedures, but where the citizens have been alerted and are carrying out their part of the program, there be special procedures established to give a higher priority to those projects than to those in sections where the citizen interest has not been generated. However, the basic problem, we feel, is the total inadequacy of the present funds to produce really significant results which would have a positive impact on the community. In each of the areas in which citizen groups have cooperated in the preparation of their neighborhood plans, only a fraction of the total areas can expect redevelopment under the current funds.

It is this lack of discussion due primarily to the physical limitations that we believe eventually causes neighborhood discouragement and disillusionment which is often followed by neighborhood deterioration. These are the problems which we don't believe have developed from the 1954 act alone. They have been major problems for the community group since 1949, but we believe that unless stronger measures are exerted to overcome these limitations of redevelopment,

the enthusiastic and the sympathetic citizen participation which all of us desire may never be fully realized.

Thank you, gentlemen.

Mr. BARRETT. Thank you, Mr. Levine.

The committee is going to take at least a 5-minute break, it won't be any longer, to give the reporter a chance to stretch his fingers.

(Recess taken.)

Mr. BARRETT. The committee will come to order.

#### STATEMENT OF HON. GEORGE M. RHODES, MEMBER OF CONGRESS FROM THE 14TH DISTRICT OF PENNSYLVANIA

Mr. RHODES. Mr. Chairman and members of the subcommittee, I appreciate the opportunity of presenting this statement in connection with the hearings you are holding in various cities around the country on the housing problems of our urban dwellers.

The subject of housing has always been of great importance to me. Before being elected to Congress I served as a board member of the Reading Housing Authority and saw first hand, through my experience in the housing field, many of the complex problems which are involved in this vast undertaking.

At this time I wish to comment briefly on which I consider to be a most important aspect of the housing problem in most communities. I refer to the need for adequate public housing for our aged citizens, which was unfortunately eliminated from the housing bill passed by Congress during the last session.

According to the latest figures which are available, there are now almost 14 million persons in this country aged 65 years or over. Our aged population is growing at an increasingly rapid rate. In 1953 the average per capita income of all persons aged 65 or over was only \$1,227. Many of these aged persons, living on pensions or other types of fixed income, were caught in the post-World War II inflationary spiral of rents and skyrocketing real-estate prices. While social-security benefits, civil-service retirement annuities, and other types of pensions have been increased since the war, these increases have been woefully inadequate even to meet the rising costs of living.

Tremendous progress has been made by medical science to prolong life expectancy. But, like many other advances, it has created new problems which must be solved. There is a rapidly growing demand for a housing program which will meet the physical and economic needs of these senior citizens.

All of us realize the difficult situations which often result when old folks are forced by economic necessity to live with their children or other relatives, sometimes in already overcrowded quarters. A public housing program to provide decent housing facilities for the aged is a positive step toward the solution of this vexing social and economic problem associated with increased longevity.

While housing for the aged is a relatively new concept, a great deal of study and some important practical experience have already been obtained. Aged housing projects are already in operation in some cities. Others are exploring the possibilities of such projects in their own communities. Endorsement and authorization of such aged housing by Congress would provide the necessary encouragement for still other communities to undertake this much-needed type of housing program.

At this point in my statement I would like to outline briefly some of the requirements which I believe should be included in an aged housing program:

(1) Aged housing should be available to single persons as well as to elderly couples.

(2) Housing projects for the aged should be small and be an integral part of a neighborhood containing younger families as well.

(3) The aged housing projects should be convenient to public transportation and readily accessible to neighborhood stores, churches, and recreational facilities.

(4) Local public housing agencies should be authorized to reconstruct or remodel existing low-rent housing units to provide more suitable accommodations for elderly persons.

(5) New public housing units for the aged should be designed for their needs and include such features as nonskid floors, special handrails, no-stoop cupboards, and recreational or hobby facilities in each apartment building.

It is my hope that the obvious need for low-rent housing for the aged will again be considered by your committee in the second session and that Congress will act favorably on a measure to provide an adequate number of public housing units for our growing numbers of deserving senior citizens.

Mr. BARRETT. Ladies and gentlemen, we have a number of witnesses yet to appear. If any one of the witnesses desires to submit his remarks for the record, we would be glad to have him do so. If we possibly can, we will give him the time to testify.

The next witness is Milton Brown, of United Neighbors.

Mr. Brown, will you properly identify yourself for the record?

#### **STATEMENT OF MILTON A. BROWN, ASSISTANT DIRECTOR, UNITED NEIGHBORS ASSOCIATION**

Mr. BROWN. United Neighbors is a settlement agency located in southeast central Philadelphia. Our objectives are achieved through a program of self-help and our credo, "Better living through group thinking, planning, and action."

In September 1954, just about 1 year ago, we were requested by Mr. William Rafsky, housing coordinator of the city of Philadelphia, to participate in one of the four pilot projects to be conducted by the city in urban renewal. The focus in our area was law enforcement as a technique, but with the emphasis on cooperative compliance on the part of the various forces in the community in accordance with the new housing code.

The area known as Hawthorne has the dubious distinction of being known as the third worst slum in the city of Philadelphia. This area is basically a substandard, covering 21 city blocks. Approximately 5,851 persons live in the area; 75 percent are nonwhite.

In one census of this area, according to the 1950 census, the median annual income per household was \$695, while the average for the city as a whole was \$2,869. In December 1954, a corps of inspectors were assigned to make a building-by-building inspection of the area. The results are interesting and significant. The total number of dwell-

ing structures in the area was 1,509, with the total number of dwelling units being 2,653.

In compliance at that time were only 172—1,337 of these properties were not in compliance and orders were issued by the department of licenses and inspections for compliance. Taking into consideration that figure of 1,337 buildings shortly after the first of the year that were not in compliance, after orders were issued, at this particular moment, only 75 of those buildings have been complied with after notice; 178 of them are being complied with, however, on a schedule. There have been 53 prosecutions in the courts of the city of Philadelphia, 17 of the structures are presently vacant, and there are 1,014 of them, for which absolutely nothing has been done in terms of bringing them into minimum compliance.

There are, of course, several problems facing people in this Hawthorne pilot project area. The No. 1 problem has been brought, of course, to the attention of this committee many times, and that is financing.

In substandard areas such as Hawthorne, many property owners find methods of financing absolutely impossible, and especially is this true of the small property owner. The second tremendously big problem in this area is that of relocation. There are 313 removals required for overcrowding, installation of facilities, or because properties are unfit for human habitation.

This figure does not include persons who are being affected by conversion of multiple-family dwellings to single family units. Actually 127 people have been referred to the relocation service for new housing. There is a total of 12 percent at the moment necessary or in need of removal for relocation. During the next year, because of the erection of a public housing project in this area, 300 family groups and 100 single persons additionally will need relocation. The big problem for our agency is to see that these people are not moved into equally as bad or worse living accommodations, thereby perpetuating slums.

One of our primary concerns is what happens to people and that they be handled with compassion and understanding. There have been some plus factors in this area; namely, a terrifically interesting organization of the property owners whereby they are cooperatively meeting with us continually to determine how they can improve the area, the formation of a tenant committee which has accepted as part of its problem the plight that tenants have and working with the landlord to cement better tenant-landlord relationships. In an overall committee known as the Hawthorne Urban Renewal Committee, which is comprised of individuals at all levels in the community, began to work on this area of urban renewal and better houses for the people in this very small but important pilot project area of the southeast, central area.

Thank you.

Mr. BARRETT. Thank you very much.

Do you desire to submit that for the record?

Mr. BROWN. I had to do this so far, sir. I don't have it typed.

Mr. BARRETT. Very well. If you care to, you can mail a copy.

Mr. BROWN. Thank you.

Mr. BARRETT. The committee will hear the Fellowship Commission, Maurice Fagan.

Will you properly identify yourself?

**STATEMENT OF WILLIAM GRAY, REPRESENTING THE COMMITTEE ON DEMOCRACY IN HOUSING OF THE PHILADELPHIA FELLOWSHIP COMMISSION; AMERICAN CIVIL LIBERTIES UNION, PHILADELPHIA BRANCH; THE COMMUNITY RELATIONS PROGRAM OF THE AMERICAN FRIENDS SERVICE COMMITTEE (QUAKERS); AND THE JEWISH COMMUNITY RELATIONS COUNCIL**

Mr. GRAY. My name is William Gray. I am chairman of the Committee on Democracy in Housing of the Philadelphia Fellowship Commission.

This statement we are submitting is by the Committee on Democracy in Housing of the Philadelphia Fellowship Commission, American Civil Liberties Union, Philadelphia Branch, the community relations program of the American Friends Service Committee (Quakers), and the Jewish Community Relations Council.

The interest of the groups presenting this testimony is in intergroup relations in housing; in the elimination of segregation and discrimination. Our concern grows out of two factors: (1) a deep belief in the principles of equal opportunity and an individual growth, and (2) practical experience of programs in housing and intergroup relations in the Philadelphia area.

Out of this belief and this experience grows a conviction that healthful, vital communities require free access of all qualified persons to adequate housing.

We have seen growing in our communities a pattern of social segregation in housing. Whites have access to new or used housing in or outside the city. Almost all the housing under construction receiving FHA and VA insurance and guaranties is confined to whites. Negroes are virtually confined to used housing in certain limited areas within the city. One consequence, of utmost seriousness to policymakers of our city is that programs of urban renewal are blocked by the barriers of racial segregation.

One of the key aims of urban renewal activities is the elimination of substandard housing areas. Evidence from research and practical experience gained through slum clearance programs confirms the fact that overcrowding is an outstanding source of housing difficulties. In our large cities overcrowding is almost invariably a factor in producing and worsening slum conditions. Almost all slum clearance and urban renewal operations have as a corollary activity the reduction of density in slum areas and the redistribution of families now crowded into substandard housing locales. Because of the rigid barriers against Negroes and other so-called minority groups in our housing market the evacuation of these groups from slum conditions is extremely difficult. This fact is set in tragic relief when it is remembered that these groups constitute a very high proportion of those living in substandard housing.

As Commissioner Albert H. Cole of the Housing and Home Finance Agency has stated:

I must tell you that no program of housing or urban improvement, however well conceived, well financed or comprehensive can hope to make more than indifferent progress until we open up adequate opportunities to minority families for decent housing.

The exclusion of nonwhite families from suburban and outlying residential areas has worked to maintain the unnatural concentration of these citizens in the older sections of Philadelphia. A wall of racial prejudice has prevented Negroes and others from taking part in the normal migration to outskirts and suburbs that has been continuing as private industry builds more and more new homes.

In general, builders, realtors, mortgage and insurance companies reinforce this wall of prejudice through unwritten but widespread agreements. The combination of this professional collusion with outmoded social opinions and public apathy has severely limited the housing supply for thousands of American citizens. Less than 1 percent of the new housing built in the Philadelphia metropolitan area between 1940 and 1950 was available for nonwhite occupancy.

In Philadelphia the nonwhite population between 1940 and 1950 increased from 252,757 to 378,968, a gain of 50 percent.

In 1950, two-thirds of all nonwhite families in the city of Philadelphia lived in only 41 of the city's 404 census tracts. Thus nonwhite citizens financially able and anxious to obtain better housing were barred from escaping an environment characterized for the most part by housing dilapidation and decay. Although representing only 20 percent of the population of Philadelphia, nonwhites occupy 46 percent of the city's 70,000 substandard dwelling units.

High density public housing developments in nonwhite areas and insufficient use of vacant land sites have already resulted in larger and newer racial ghetto patterns. The persistence of racial restrictions in the private housing market can only result in forcing public authorities to rebuild cleared areas at a high density, for the alternative of free movement for the nonwhite population is made almost impossible. The difficulties that public authorities have had in relocating nonwhite families moved from slum clearance sites are symbolic of the much greater problems that nonwhite families face in attempting to move freely in pursuit of better houses. The conditions that prevent nonwhites from obtaining adequate numbers of new homes tend to solidify the artificial barriers that have been inherited from a period when democracy was less developed than it is in our time.

The economic advances made by nonwhite families and the quick response that these families have made to the meager home buying opportunities at present and at times artificially inflated price levels, indicate that there is no lack of demand by nonwhites for homes. These buyers do exist and their finances are adequate to meet their housing needs.

Experience in public housing and in a few pioneering private developments has demonstrated that open occupancy policies do produce desirable and sound community life. The pressure of pent-up nonwhite demand for better living conditions, however, tends to make natural housing integration difficult as long as the general market is operated on a distorted discriminatory basis.

In view of the foregoing facts we recommend that FHA and VA benefits should be given only to housing which is available for the occupancy of all citizens without regard to race. President Eisenhower has affirmed that public funds and public institutions cannot be used to maintain inequalities based merely on race. The practice

of our Federal housing agencies underwriting discriminatory housing patterns on a vast scale is a contradiction of this principle stated by our President. Our democratic system cannot afford to have ghetto residential patterns frozen into the urban landscape with the cooperation of Federal agencies. Whatever may be the conditions in other areas, in Philadelphia the fostering of residential segregation by race, religion, or national origin runs counter to our traditions and contradicts our civic ideals, our religious heritage and the history of liberty that has ennobled our city. There could be no greater contribution to democracy in our day than elimination of every vestige of discrimination in housing facilities which receive direct or indirect Government assistance of any kind.

The American Friends Service Committee has prepared a memorandum on equal opportunity in housing analyzing the role and responsibility of the Federal Government with respect to racial patterns in private housing receiving FHA and VA insurance. This memorandum was distributed this year to leaders in the administration, the housing industry, and human relations organizations. The recommendations regarding national housing policy developed in the memorandum are essentially those which we are presenting here today. (A copy of the memorandum is submitted to the subcommittee with this statement.)

The Committee on Democracy in Housing of the Philadelphia Fellowship Commission includes representatives from practically every group in Philadelphia concerned with housing either professionally or as a citizen. It also includes a number of realtors who are thoroughly familiar with problems of builders, mortgage and finance companies, and so forth.

The committee is convinced that public housing is indispensable to solving that portion of the problem which is created by the needs of the lowest economic groups regardless of racial, religious, or nationality backgrounds. However, for the overwhelming majority of Philadelphians the solution of the quest for a decent home in a decent environment must be sought through private housing. The fields of public and private housing are obviously and permanently inter-related and in a sense interdependent. The Committee on Democracy in Housing, therefore, spent approximately 15 months drafting the attached credo and code of fair housing practices which represents the best judgment of a thoroughly representative group of persons and agencies concerned with democratic housing practices and facilities. We believe this credo and code to be the first of its type in America. We submit it because of our belief that housing problems cannot be solved by Government alone or by the private housing industry alone. The two must at least cooperate to secure complete democratic practices at every stage of every housing transaction. They must neither scapegoat each other nor shift responsibility to each other. The task of providing equal opportunity for decent housing for all Americans is the indivisible responsibility of all Americans.

Thank you.

Mr. BARRETT. Thank you, Mr. Gray. We certainly appreciate your fine statement.

Do you want this inserted in the record?

Mr. GRAY. If you please, sir.

Mr. BARRETT. We are glad to do that, and we appreciate your speeding up your lengthy statement.

Mr. GRAY. Thank you, sir.



(The credo and code above referred to follows:)

WE BELIEVE . . . that America's true riches are not in her material possessions but in the merit and worth of her citizens. The seedbed of good citizenry is in the family. Here ideals of life and conduct are fostered partly by the attitude of parents but also by healthy physical and spiritual surroundings. Cramped and crowded housing and the division of community populations into separate segregated communities based on race, religion, or national origin make healthy family life difficult. We Americans of all varieties need each other. The normal tension of such association is the tension of growth, of stimulation, of broadening interests. This credo has behind it these convictions. We put them forth in the belief that they represent the best in American life.

CLARENCE E. PICKETT.

WE BELIEVE—A CREDO

That every American should have the maximum possible opportunity to develop himself and to advance the welfare of his family

That we should seek to safeguard the right of every American to rent or purchase housing facilities which he can afford and adequately maintain in any street or neighborhood that he believes will afford him the best opportunity to raise his family safely and happily

That devices impeding or preventing persons because of their race, religion, or national origin, from obtaining or occupying suitable housing facilities are bad ethics, bad business, and bad for America.

That all persons should strive for the highest possible standards of maintenance in their apartment, house, street, and neighborhood, and invite new neighbors to join with them in maintaining a good neighborhood.

That all persons should insist upon the highest standards of inspection and service from their local government.

That every family seeking to purchase, rent, or lease housing facilities should give full consideration to the opportunities to secure housing in areas open to all people without regard to race, religion, or national origin.

That fair and democratic housing practices, by developing self-respect, mutual respect, better neighborhood relations, unity, and deeper faith in democracy, can make Greater Philadelphia in truth, a community of homes—for everyone.

CODE OF FAIR HOUSING PRACTICES

1. Persons seeking to rent or purchase homes or apartments shall be accepted or rejected on the basis of individual qualifications only, without regard to their race, religion, or national origin

2. Special charges may be made where special services are required and rendered but no special charges, interest rates, downpayments, or conditions shall be imposed upon any of the parties because of race, religion, or national origin.

3. It shall be considered unethical practice to:

(a) Accept or offer properties for sale or lease only to persons of particular racial, religious, and ethnic groups, and not to all persons.

(b) Agree to limit properties, streets, neighborhoods, or committees to any particular racial, religious, or ethnic group or to attempt to prevent sale to or occupancy of such properties by any person because of race, religion, or national origin.

(c) Advertise properties by word of mouth or by any other media to create the impression that occupancy is being limited to persons of any racial, religious, or ethnic group.

(d) Encourage persons to rent or sell their properties because members of particular racial, religious, or ethnic groups are buying or renting in the street, neighborhood, or community.

(e) Stimulate panic sales through rumors, fears, bigotry, or other means or to participate in or encourage spite sales.

4. We call upon all persons involved in any way professionally or as individual homeowners in the sale, rental, purchase, financing, management, or handling of homes or apartments or passing upon credit ratings, to help bring about fair and democratic practices by complying with and urging compliance with the above principles.

## ACTION SUGGESTIONS

1. Set examples of your support of democratic housing practices by—
  - (a) Welcoming new neighbors regardless of race, religion, or national origin.
  - (b) Organizing or supporting neighborhood improvement associations open to all racial, religious, or nationality groups which seek to maintain good housing standards.
  - (c) Protesting discriminatory real-estate advertisements in the daily or neighborhood press.
  - (d) Urging neighborhood real-estate boards to discontinue the use of advertisements, printed matter, or oral statements designed to describe the racial, religious, or nationality composition of a street or neighborhood or in any way intended to show preference for members of any such group.
- 2 Encouraging full discussion and observance in your neighborhood of—
  - (a) The city of Philadelphia's Housing Code, which seeks to insure high physical standards.
  - (b) The fellowship commission's credo and code of ethics, which seeks to assure democratic housing practices and the best possible human relations.
3. Help place speakers, literature, articles, and films which spread the facts and build good human relations in your neighborhood and throughout the Philadelphia area
4. Call on your clergyman, organization, newspaper, neighbors, friends, and legislative representatives to help build a brotherly neighborhood and city. Respond when they call on you.

This credo has been endorsed by the Philadelphia Fellowship Commission and its member agencies:

American Civil Liberties Union of Greater Philadelphia  
 Council for Equal Job Opportunity  
 Fellowship House  
 International Institute of Philadelphia  
 National Association for the Advancement of Colored People—Philadelphia branch  
 National Conference of Christians and Jews—Philadelphia office  
 Philadelphia Council of Churches, race relations committee  
 Philadelphia Jewish Community Relations Council  
 Society of Friends, committee of race relations

We welcome your reactions, suggestions, or criticisms.

For additional copies write or call Philadelphia Fellowship Commission, Fellowship Commission Building, 260 South 15th Street—KI 5-8430, Philadelphia 2, Pa.

## EQUAL OPPORTUNITY IN HOUSING

Prepared by Community Relations Program, American Friends Service Committee, 20 South 12th Street, Philadelphia 7, Pa., March 1955 (reissued May 1955)

## I. INTRODUCTION

Not satisfied to have idealists isolated from the practical men in the market place, we Americans have felt keenly the tension between the ideal and the real, and have striven to learn how to apply our religious and political ideals in everyday life.

In the material realm we have made tremendous strides. In the spiritual realm the aspirations of the American people are for a similar effort and achievement. Nowhere is this desire stronger than in our aim to remove unfair discrimination and achieve equal opportunity for all our people.

Our national conscience is troubled by our failure to achieve equal opportunity. We profess to believe that all men are created equal. Our practical men of affairs, our social scientists, our religious leaders, our teachers, and our parents are agreed that the ways can and must be found to put the ideal of equal opportunity for all people into practice.

The outstanding characteristic of the movement for equal opportunity is a sense of urgency—to get on with and complete this job. We know we can do it if we tackle it thoughtfully and vigorously. There is widespread feeling that

we should clean up this business of discrimination and segregation, so that we can concentrate our united energies and resources on greater and more difficult problems confronting our Nation.

In seeking to achieve the goal of equal opportunity, leading industrialists, churchmen, public officials, and educators are coming to accept the conclusions of social scientists that equality of opportunity is incompatible with discrimination or segregation.

We are learning this in employment. Many businessmen and industrialists have discovered practical advantages in policies of hiring the best man for the job. Business firms throughout the country have found it wasteful and needlessly unfair to segregate employees by race. Individual employees recognize that they can have equal opportunity only if they are free to compete with all other workers for all jobs on the basis of skills.

Government, too, has taken a position on employment through the President's Committee on Government Contracts, which has the responsibility of promoting merit employment where Government contracts of \$5,000 and over to private business are involved.

The armed services have made strides which only a few years ago were considered impossible and segregation in schools on Army bases is being eliminated.

The Supreme Court in its magnificent decision in the school cases has made this principle part of the law of the land, namely, that segregation and equal opportunity are incompatible.

Today a major barrier blocks our efforts toward equality of opportunity—private housing segregation. Despite our knowledge that segregation means discrimination, segregation of minority people in housing persists. Indeed, it is increasing.

Regardless of income, character, or education, it is almost impossible for a Negro family to buy a privately built home in almost all areas of the United States. Much the same situation confronts Mexican-Americans, Puerto Ricans, Japanese-Americans, and Chinese-Americans and, to a lesser degree, persons of Italian and Jewish descent. As HHFA Administrator Albert M. Cole has said:

"This is not, let me stress, a low-income problem as such. Low-income simply complicates the problem of many minority families, but all face it, even those with relatively high incomes. A great many of these families are able and willing to pay for good housing, if they can find it. Their incomes have greatly improved over the past decade, and they are ready to enter the market if the market will receive them. Recent studies in a number of our large cities indicate a very substantial waiting market for Negro housing from \$20 to \$90 in rents and from \$6,500 to \$15,000 for sales housing, with a fair number of minority families able to enter the luxury housing market."

The housing problem confronting minority people can be solved only through the cooperative action of government, industry, private agencies, and individuals to remove the barriers based on race, national origin, creed, and color. Public housing is useful for some low-income families. But in the absence of opportunity for minorities to participate in a free economy, these problems will actually reinforce residential segregation, with all of its attendant evils—separation in schools, recreation, and welfare institutions, mutual distrust, and misunderstanding.

Segregation of nonwhite minorities confronts our large cities as a block to their efforts to plan and carry out urban renewal programs and to secure decent housing for all residents. These cities are coming to recognize that discriminatory practices in housing aggravate all other urban problems and that until Negroes and other minorities are as free as other Americans to buy and rent dwellings in the cities and suburbs, the promise of a better life for all our people cannot be realized.

The world knows of the most sensational results of segregation. Artificial barriers, which keep people apart and limit opportunities for understanding and acceptance, lead to tensions and fears, and sometimes to the use of violence in order to maintain restrictions. The harmful effects of these occurrences on individuals, on the Nation, and on international relations are immeasurable. Examination of these instances shows that they result, not from integrated situations but from rigid patterns of separation.

The President has clearly recognized the need for action with regard to the housing problem faced by minority groups. In his housing message to Congress on January 25, 1954, he said:

"It must be frankly and honestly acknowledged that many members of minority groups, regardless of their income or their economic status, have had

the least opportunity of all of our citizens to acquire good homes. Some progress, although far too little, has been made by the Housing Agency in encouraging the production and financing of adequate housing available to members of minority groups. However, the administrative policies governing the operations of the several housing agencies must be, and they will be, materially strengthened and augmented in order to assure equal opportunity for all of our citizens to acquire, within their means, good and well-located homes."

Seven months later the President's response to direct question regarding his racial housing policy as reported in the transcript of his press conference of August 5, 1954, was: He had tried as hard as he knew how to have accepted this idea, that where Federal funds and Federal authority were involved, that there should be no discrimination based upon any reason that was not recognized by our Constitution. He would continue to do that.

The fact that segregation in housing is increasing is an anachronism in view of our strides toward equal opportunities in jobs, education, the armed services, recreation facilities, medical care, voting. Now is the time to deal vigorously with housing segregation while Americans generally are ready and eager to finish the job of eliminating discrimination.

## II. PATTERNS OF SEGREGATION AND DISCRIMINATION IN HOUSING

This memorandum will discuss only the operations of FHA and VA as they relate to private housing. There are minority problems in other Government housing programs. The memorandum will mention these other programs only as they affect, or are affected by, FHA and VA housing.

Emphasis is on segregation and discrimination against nonwhites—Negroes, American Indians, Mexican-Americans, Chinese-Americans, Japanese-Americans, and Puerto Ricans. (Over 96 percent of the nonwhite group in the United States is Negro; as used in this memorandum, the term "Negro" and the term "non-white" are used interchangeably.) Other groups, such as Jews, Catholics, Italian-Americans, Polish-Americans, find themselves excluded from some communities and housing developments. However, discrimination against these groups is decreasing, while it is increasing for nonwhites. Furthermore discrimination against members of minority groups with white skins seldom results in the degree of exploitation faced by nonwhites. Finally, the gradual improvement of residential opportunities for religious and nationality groups is most unlikely to occur for the identifiable racial minorities under present practices. For the nonwhite minorities, concrete action is necessary.

### *The Nonwhite Market*

In the cliché of the business world, "what counts is the color of a man's money." Indeed anyone with cash or credit may buy a suit, an automobile, a pound of meat. But in housing what counts is the color of a man's face. This alone, regardless of his affluence, his character, or his prestige, determines where and how a many may live.

In his housing message to Congress on January 25, 1954, the President said, "We believe that needed progress can best be made by full and effective utilization of our competitive economy with its vast resources for building and financing homes for our people." But is our economy a competitive one for Negroes? According to Administrator Cole, in his Detroit speech, February 8, 1954:

"We are simply not living up to the standards of a free economy and a democratic society. For the housing economy has not been a free economy for the Negro."

Changes in population and income patterns during the war and postwar years have brought an enormous increase in the effective demand for housing among Negroes. Negro workers often were able to get better jobs and to establish job security as a result of high employment rates, coupled with local and State legislation and Government contract provisions requiring equal job opportunities. In order to take advantage of these opportunities, they came to cities, particularly in the North and West.

From 1940 to 1950 earnings of nonwhite workers tripled. Most important is the development of the Negro middle class. In 1939 only 3.7 percent of Negro families earned \$3,000 to \$5,000 a year and 0.1 percent earned over \$5,000; by 1950 17.8 percent were in the \$3,000 to \$5,000 range and an additional 5.4 percent received over \$5,000.

It is standard American practice to utilize the fruits of expanded earning power and job security by becoming a homeowner. Negroes have followed this practice. In urban areas Negro home ownership increased from 20 percent

to 33 percent during the period 1940-50. Ownership remains higher among whites, yet the rate of increase for nonwhites is twice the rate for whites, two-thirds as compared to one-third.

More Negroes live in cities and in the northern and western regions than ever before. The Negro population is now over 60 percent urban. Many cities have had spectacular increases in their nonwhite population (San Francisco, 156 percent; Detroit, 101 percent; Chicago, 80 percent). The 8 major industrial States (California, Michigan, Illinois, New York, New Jersey, Ohio, Pennsylvania, and Missouri) experienced a 1.5 million increase in nonwhite population. Population experts predict that the nonwhite migration will continue during the next decade.

#### *Metropolitan Areas*

Within metropolitan areas, however, Negroes are more and more segregated. Custom and restrictions determine that Negroes may live only in certain areas inside the city. Despite the fact that the Negro ghetto was already overcrowded and outworn, and despite the proliferation of suburban housing in the postwar period, most of the growing Negro population jammed into the "colored area." Meanwhile, whites moved into the new suburbs.

Figures on what happened to the new Negro families, as opposed to the new white families, are very revealing. Almost all the nonwhite increase in metropolitan areas occurred in the center city; for whites, almost all the increase was in the suburbs. For the metropolitan areas of the 18 largest cities 83 percent of the nonwhite increase occurred in the city itself. Exactly the reverse was true for whites; 83 percent of the increase was outside the city.

Meanwhile new housing mushroomed. Over half of the private one-family houses built during the postwar period was in the standard metropolitan areas. Within the metropolitan areas, 4 out of every 5 houses went up in the suburbs rather than in the city.

#### *New housing available to nonwhites*

From 1935 to 1950, a total of 9 million new private dwelling units were constructed. Of these less than 1 percent were available to the nonwhite 10 percent of the population. For the postwar period of housing boom, there is little by way of national figures which would show the nonwhite share. One indication of the small size of that share is given by comparing figures on dwelling units by race with those on population. From 1940 to 1950 the number of dwelling units occupied by whites increased faster than did the white population (23 percent against 14 percent) while for nonwhites the reverse was true (10 percent against 15 percent).

Fortunately a scientifically sound study on the Negro population and its housing was conducted in 1953 by the Philadelphia Housing Association for the use of the Commission on Human Relations of Philadelphia. Because this is the most complete study of its kind, and because racial patterns in Philadelphia are no worse—and in some respects definitely better—than those of other cities, the report of the Philadelphia study will be cited frequently in this memorandum.

In the Philadelphia metropolitan area, more than 140,000 units were built from 1946 to 1953. Of these, 1,044 units, or 1 percent, were available to Negroes, who comprise 13 percent of the population of the metropolitan area. Of these 1,044 units, 466 were outside Philadelphia. But most of these units were not suburban. Rather they were in smaller cities of the metropolitan area.

In Philadelphia itself, exactly 45 units were available for purchase by Negroes. Yet over 20,000 Negro families bought homes. Obviously all but 45 of these families purchased secondhand homes.

From other cities comes the same story of virtually no new construction available to people of darker skins. Of 8,338 units built in Toledo during the past 12 years, only 40 new sales units and no new private rental units were available to the nonwhite market. In the Detroit metropolitan area, the total output was 140,000 units. Only 1 percent were available to Negroes, who constitute 14 percent of the population. From city after city come similar reports of little construction or even no construction available to nonwhites.

#### *FHA housing*

The nonwhite share of housing receiving FHA mortgage insurance is discouragingly small. Of 2,761, 172 units which received FHA insurance during the years 1935-50 an estimated 50,000 units were for Negro occupancy. This amounts to 2 percent of the FHA total. Moreover, half of the 50,000 is accounted

for by 25,000 units built with racially designated priorities during World War II under the defense housing program which provided special advantages to builders during a period of controls and shortages. Thus, during 1935-50, while the FHA insured 30 percent of all new construction, the nonwhite 10 percent received only 1 percent of the benefits of normal FHA operations. The South has a greater than proportionate share of this small amount of housing. All of the Southern units were in strictly segregated Negro projects.

FHA is trying to secure more housing available to nonwhites. Administrator Mason, in a speech on May 21, 1954, to the annual conference of the National Committee Against Discrimination in Housing, said, "There remains a very real need for the FHA to serve the housing needs of minority families more effectively and to enforce the regulations which will make it work on a broad front." He went on to outline a program "some or all" of which is to be instituted by FHA. The program included measures to secure staff understanding of and compliance with FHA policy to make benefits available on an equal basis. The program also included encouragement to the development of non-segregated projects.

There have been few signs in subsequent months of action to implement these proposals. Aside from urging builders and mortgage bankers to supply the Negro market, the Federal agencies have not themselves taken any new steps to serve the needs of minority people. No measures to encourage nonsegregated projects have been forthcoming, nor has any new staff training been initiated.

Even if the proposals set forth in the spring of 1954 had been carried out, they would not have directly affected the major area of FHA operation, the insurance of housing which is exclusively for whites. Housing which discriminates against qualified purchasers solely on grounds of race continues to receive FHA and VA benefits. In Bucks County, Pa., is growing an all-white city of 70,000 residents. The developers, Levitt & Sons, Inc., refuse pointblank to sell to any Negro family. This project not only is receiving FHA and VA insurance and guaranties but would have been impossible without such benefits. Throughout the country are housing developments, large and small, for sale or rent, which receive the highly important assistance of FHA and VA programs yet exclude anyone whose skin happens not to be white.

#### *Open occupancy*

The term "open occupancy" has been popularized in the housing field. In the great majority of cases, the term is a euphemism for "Negro housing." The developer has planned the size of his project in terms of estimated Negro demand. The project is located in or near a Negro area or in an area which is undesirable and which therefore would not be developed for whites. The sales and promotion campaigns are directed at the Negro buyer.

In a few cases, open occupancy housing is planned for an interracial market. Often they become heavily or entirely Negro, simply because of the greater immediate demand by Negro buyers or renters. Sometimes these projects achieve a balance of racial groups, either through the nature of the market or through the exercise of occupancy controls.

In the single-home sales field, the only example of really interracial private housing is Concord Park in suburban Philadelphia, Pa. The developers of this 139-unit project of \$12,000 houses are determined to achieve at least 50 percent white occupancy. Construction began late in 1954 and occupancy is expected to be completed in 1955. It should be mentioned that the sponsors of this project had to go to unusual pains in securing financing as well as in their promotion and sales campaigns. A detailed study of this project was done for the Fund for the Republic, Inc., and is summarized in an interim report dated January 1955.

Another example of interracial private housing is the Flamingo Apartments in Philadelphia, constructed in 1952 under section 608. This 15-story, 300-unit apartment house has a 50-50 balance between white and Negro residents. Many of the other successful interracial projects are cooperatives, such as Queensview in New York City, with about 30 Negro families among 800 residents. A number of small cooperatives have been set up and maintained on an interracial basis. Generally these are true rather than builder-sponsored cooperatives.

Analysis of open occupancy projects suggests that it is necessary that at least half of the occupants be white, in order to maintain a stable occupancy ratio. In some cases, a combination of location and relatively high price will secure such a pattern. In others, occupancy controls, which limit the initial proportion of nonwhites, have been utilized.

The builder of true open-occupancy housing faces serious problems under present practices. Site selection is even more difficult than for housing planned solely for Negroes. In both cases, the builder finds that the approved area is expensive, inconvenient or undesirable—often all three. In the case of interracial projects, the builder must almost certainly go outside the approved area and thus meet blocks by lenders, governmental bodies and present residents. Even when he does find land and financing, the nature of the market is against him. As long as whites have a wide range of choice and Negroes have little or none, the probability is that the project will be mainly Negro.

The latter obstacle would not face the mass builder so strongly for two reasons: (1) He is in an excellent competitive position, due to savings in mass-production methods; (2) the proportion of Negroes in a large project would necessarily be small at the price ranges usual for such projects. Knowing this, whites would not feel a risk of becoming the minority group. It should be pointed out that this is purely speculation, since no large development has attempted an open occupancy policy.

#### *Effects of segregation on housing quality*

Segregation in housing has serious consequences not only for the nonwhite family, but for the entire community. It means that Negroes are the subject of exploitation. It means that they get the worst housing and pay more for it. It means that the Negro home buyer can seldom purchase any but a second-hand house in an old neighborhood and has to pay a premium for it. It means that new housing planned for Negro occupancy is generally inferior to that planned for whites.

National figures show that Negroes get the worst housing. The proportion of dilapidated nonfarm homes was five times as high for nonwhites as for whites. Overcrowding was  $3\frac{1}{2}$  times as high for nonwhites as for white renters in 1950; overcrowding actually increased during the decade for nonwhite renters while decreasing for whites.

An article on nonwhite housing in *House and Home*, April 1953, summarizes the situation this way: "The simple truth is that the Nation's urban areas have resisted giving their cities' new Negro housing as much living space as their money would buy." Lower average income of nonwhites accounts for some of the disparity in housing quality. But a major part of the cause is segregation, which allows exploitation of the Negro housing market. A study of property values in changing neighborhoods of Chicago from 1940 to 1948 demonstrated that Negroes paid substantially more than whites for similar types of real estate in the same area. The study showed that Negroes had more trouble in getting financing and paid higher interest rates.

A study of 1940 patterns showed that the nonwhite group receives proportionally more substandard housing, or less housing value, for the same price than does the white group. This disparity became greater during the following decade. Rentals for nonwhite families increased by 108 percent from 1940 to 1950, while rentals for white families increased only 64 percent, even though during this period the difference in amount of housing became greater between the two groups. The Philadelphia study shows that while Negro areas had the worst housing, they did not have the lowest rentals.

As for the new housing built for the Negro market, it tends to be inferior on many counts. The Philadelphia study mentioned before included an investigation of all sales and rental units built in the Philadelphia metropolitan area for Negro occupancy from 1946 to 1952. The report states, "Most of the new private housing available to Negroes is located in neighborhoods undesirable on one count or another. The adverse conditions include proximity to old and dilapidated housing, main rail lines, heavy traffic, commercial and industrial uses including junk yards; in other cases proper access roads are lacking \* \* \* few new housing developments for whites are being built in old neighborhoods or adjacent to industry or railroads."

A well-known example of Negro housing comes from the west coast. Parchester Village, built in 1951 in the San Francisco area, is a 400-unit project of houses priced at \$6,500 to \$8,000. Adjacent to the project are two railroads, a foundry and a slag dump. No schools or recreation facilities are conveniently available. At the beginning in 1951, there were about two dozen white families among the total of 406. By now the project is 100 percent Negro.

Evidence indicates that housing segregation is on the increase. The Philadelphia study showed greater concentration of Negroes in 1950 than in 1940. Forty census tracts and two-thirds of the city's Negro households in 1940. These

same tracts absorbed two-thirds of the increase in Negro households between 1940 and 1950. The change meant conversions and greatly increased overcrowding in these areas.

#### *Indirect effects of housing segregation*

The separation of one group of Americans from another leads to a series of deep scars on our communities and on our citizens, white and colored. Segregated housing causes segregation in many other fields. It causes fears and misunderstandings of members of the other race by each group. It makes the renewal of our cities impossible.

Residential segregation means separate schooling, separate play, separate welfare activities, separate civic programs. During their formative years, many children have little or no opportunity to get to know children of the other race. The Supreme Court's decision overturning enforced school segregation will mean nothing to the white child in segregated Levittown or to the Negro child in Chicago's black belt. Open policies of recreational and welfare agencies are rendered meaningless in racially homogeneous areas. As long as Negroes are kept to the oldest urban neighborhoods, they will have the oldest schools, inferior on many counts, and this may result in inadequate preparation for careers.

Race labeling of neighborhoods and land often leads to a variety of discriminations by local governments. Areas which include Negroes are "written off". The quality of basic services, such as street maintenance and improvements and trash collection, drops off. Zoning is no longer enforced, so that the Negro family in a single house is powerless to maintain standards among conversions and illegal uses.

For our cities, many problems flow from segregation. It is imperative for almost all our cities to get rid of slums and blight, to prevent the formation of new slums, to reduce center-city population densities and to develop adequate traffic systems. But to carry on these improvement programs, families will be dislocated and adequate dwellings must be provided. Public housing can provide only part of the answer. According to Administrator Cole, " \* \* \* Regardless of what measures are provided or developed to clear slums and meet low-income housing needs, the critical factor in the situation which must be met is the factor of racial exclusion from the greater and better part of our housing supply. I must tell you that no program of housing or urban redevelopment, however well conceived, well financed or comprehensive, can hope to make more than indifferent progress until we open up adequate opportunities to minority families for decent housing."

Attitudes are affected by segregation. To many whites, the fact that most slum areas are populated by Negroes leads to the simple equation of "Negro" with "slum." Thus comes the belief that Negroes themselves, rather than exploitation and overcrowding, create slums, lower property values, and so forth. For both white and Negro, lack of contact means that the other group is strange and therefore to be feared. At the same time, most whites have some realization that Negroes are discriminated against and feel a resultant sense of guilt.

#### *Changing patterns and changing knowledge*

Housing patterns are not completely static. As a result of the 1948 Supreme Court decision outlawing enforcement of racial restrictive covenants and as a result of increased income and savings of Negroes, it became possible for Negroes to move into previously all-white neighborhoods. As was indicated above, these are areas of old housing.

A healthy learning process has gone on in these neighborhoods. The clichés about property values have not been borne out. Several scientific studies of values in changing neighborhoods have shown that property values do not go down because Negro families move into a neighborhood. The two best analyses were done in San Francisco and Chicago. Both analyzed prices in comparable all-white and mixed areas. Both concluded that prices in the mixed areas were on the average the same as or higher than prices for similar houses in all-white neighborhoods. This was true whether the sales in mixed areas were to whites or to nonwhites.

Yet, in some neighborhoods, temporary price drops have occurred where a large number of houses on the same block are for sale at the same time. Writing in *The Review of the Society of Residential Appraisers*, Beldon Morgan, former deputy chief appraiser of the Los Angeles FHA office and now an independent appraiser, stated, "It is the mass exodus that temporarily gluts the market with offerings that depresses prices—not the influx. It is like a bank run engendered



by fear. The fear produces an unwarranted condition that could be avoided if people would stay put." The U. S. News & World Report devoted a full page on October 23, 1953, to an article titled, "Restricted Area: Does It Pay?" The article stated, "Evidence recently come to light suggests nonsegregated residential areas often add to, rather than subtract from, market values."

New information is also overturning old concepts on mortgage payments and upkeep. Writing in the magazine of the National Association of Home Builders, a leading mortgage banker said, "Over the years a great segment of the Negro population has obtained the respect of lenders, simply and quietly, by paying bills when due. \* \* \* Actually there is no difference in our delinquency records between white and Negro loans and we take great pride in our below-average mortgage delinquency record."

According to a survey by the National Association of Real Estate Boards, Negroes maintain their properties as well as a white family of similar economic status, when the properties are in good repair to begin with. In many communities, improvement in condition of properties has been reported.

Despite this knowledge, many real-estate people play an undesirable role in racially changing neighborhoods. It is not uncommon to have panic deliberately fostered by real-estate men, white and Negro, so that they will have more houses to sell. Speculators sometimes buy houses in such neighborhoods and convert them for multiple occupancy, lowering neighborhood standards and driving homeowners away.

Yet many neighborhoods are providing an opportunity for white and nonwhite families to know each other. They are sharing in civic activities and learning to judge people of the other race as individuals. Residents of a handful of cooperatives and private apartment houses as well as many public housing projects are gaining similar experience. Studies indicate that favorable attitudes are developed in interracial housing situations.

However, as long as exclusion is practiced in other neighborhoods and in new developments, it is unlikely that many neighborhoods will maintain a stable interracial pattern. Where demand is high and supply is low, the tendency is to bid up prices. Normal turnover and the ability of whites to secure modern housing in the suburbs and at fair prices, will mean that interracial neighborhoods within the cities will become more and more heavily colored. The only way to stop this process is to have an adequate supply of housing available to all people throughout the entire metropolitan area.

#### *Causes of segregation*

Why is it that so little housing has been made available to nonwhites? Commenting on the problem of discrimination, in a speech made in February 1954, Housing Administrator Cole stated, "Low income simply complicates the problem of many minority families, but all face it—even those with relatively high incomes." In the same speech, he defined the problem as a "blockade of custom and code, of unjustified economic fears."

The major reasons for the dearth of housing for Negroes are lack of financing, lack of land, and segregated thinking. In December of 1953, the National Association of Home Builders, which speaks for the home construction industry, polled officers of its local associations, asking reasons for lack of activity in the minority housing field. Thirty-five percent said there was no local problem or need, generally because only a tiny proportion of the population consisted of minority groups. Of the rest, 40 percent cited lack of mortgage financing, 18 percent cited lack of "suitable sites for development," and 10 percent cited low income of minority groups.

In an article in their magazine for the home building industry, the NAHB reported its survey of the minority housing problem. Statements made on mortgage financing put the blame for the shortage of funds not so much on a national mortgage drought as on the reluctance of lenders to accept loans on homes or rental units for minority groups. This is dramatically borne out by the recent experience of the National Urban League in a program aimed at helping to secure housing for Negroes or open occupancy. Mortgage firms were simply unwilling to make commitments on such projects. If it had not been for the availability of funds from the Federal National Mortgage Association, none of the projects would have gone into construction.

The land problem is probably the most serious of all. It is almost universally true that land not already occupied by nonwhites or immediately adjacent to nonwhite neighborhoods is considered "white land." Such undeveloped land cannot be used for housing available to nonwhites without breaking the "gentle-

men's agreement." Generally the developer will not consider doing this. The only exception is land near undesirable land uses. And, of course, such land is frowned upon by the mortgage company.

The land problem is far more serious in northern than in southern cities. In the North, Negroes live in the center city, surrounded by white neighborhoods. In the Negro areas, land and development costs are prohibitive. In the South, Negroes tend to live across the tracks, on the other side of town. Thus, part of the undeveloped periphery is available. This is the reason why more new housing is available to nonwhites in the South than in the North.

Problems of land and financing are interlocking. Mortgage firms will turn down a project which is in an undesirable location, no matter who is to occupy it. Yet, they are at least as likely to reject a project in a good location if it breaks the gentlemen's agreement as to where Negroes may live.

"Separate" is never "equal" in the housing field. Even if the mutually reinforcing problems of land and financing did not exist, the habit of thinking in terms of segregated housing would cause poor quality and less housing. For one thing the builder of Negro housing too often feels that standards can be lowered for this captive market. Sometimes he is right, but sometimes he finds that Negroes will not put their money in housing of poor quality. Even where the housing is of good quality, it cannot be fully competitive since small-sized projects are involved. It is not possible for a builder of 50 houses in Bucks County to give as much for the money as in the 16,000-home Levittown development. True, some people prefer small developments. But whites have a choice. Negroes have none. Indeed they are considered fortunate when there are any new private homes available to them.

Most important, there are practical difficulties in planning for a limited segment of the market. Reliable figures are simply not available and the builder cannot predict his potential market. It is as though a builder were putting up a group of \$12,000 houses solely for Presbyterians in the Cincinnati area. And the proportion of Negroes who can afford \$12,000 houses and are in the market at any one time is probably smaller than the proportion of Cincinnati Presbyterians. Housing development in the \$10,000 to \$15,000 range exclusively for the nonwhite market is often impractical. For the upper-income group of Negroes wishing homes at \$15,000 or more, it is virtually impossible. Such families will continue to be virtually excluded from the new housing field and to be confined to outmoded old homes, until they are given access to housing developed on the basis of the total market in their income range.

The habit of segregated thinking is not the exclusive pattern of businessmen. It is found among FHA and VA personnel, who are drawn in large part from the ranks of builders, mortgagers, bankers and real-estate dealers. This is not true of all FHA or VA staff, any more than of all industry people. Efforts by FHA to promote housing available to nonwhites and to change the habit of segregated thinking are described below. Yet FHA leaders are well aware of how little has been accomplished. Meanwhile the prevalence of the habit is one of the factors which prevents Negroes from sharing the benefits of free choice of residence or of Government mortgage insurance guaranties.

#### *The Housing Act of 1954*

These days, no one related to the field of housing can ignore the question of discrimination and segregation. This issue received a great deal of discussion, publicly and privately, throughout the country during the period in which the Housing Act of 1954 was written and adopted. The President's Advisory Committee on Government Housing Policies and Programs issued a lengthy report covering a multiplicity of recommendations for the contemplated act. Yet the Committee in effect threw up its hands at the problem of providing to all citizens equal access to Government benefits in private housing. In the brief section of the report dealing with housing for minority groups, the only specific recommendations are those on making existing housing available on equal terms with new housing. However, Congress did not follow this recommendation and there remains in the law a differential in terms between existing and new housing.

The most novel new provision of the act as enacted was presented during hearings on the proposed bill by representatives of the life-insurance companies. This provision creates the voluntary home mortgage credit program, which has as one of its purposes to stimulate the flow of credit for minority-group housing.

Certain parts of the act covering urban renewal are also seen as aiding minority groups by allowing for inexpensive new or rehabilitated housing for low-income families affected by urban renewal operations. Doubts have been widely

expressed as to the workability of these provisions and it remains to be seen whether they will be utilized.

More important is the interpretation of the concept which appears in the law of a workable program. Administrator Cole has stated that "the workable plans required of communities for the urban renewal aids in this act will have to provide for the progressive improvement and expansion of minority housing opportunities as a condition of their approval. Federal funds will not be paid out to localities that default on their obligations to minority citizens."

Housing officials continue efforts to educate builders, lenders, and real-estate dealers concerning the nonwhite market. They continue trying to secure the construction of more Negro housing and the opening of new areas for expansion of the Negro population.

Altogether the effect of the Housing Act is to provide a bit more encouragement for Negro housing. There is nothing which leads to nonsegregated housing.

Meanwhile the habit of discrimination and segregation prevails. Every day builders refuse to sell and apartment managers refuse to rent to qualified minority families. Every day mortgage men shake their heads at projects which would admit Negroes. Every day real-estate dealers follow the gentlemen's agreement as to where certain groups may and may not live. Every day Negroes buy used homes, often at inflated prices, and the white sellers go off to modern suburbs. Every day FHA and VA make final commitments for all-white developments. Every day more vacant land is used up for all-white housing.

This is the "blockade of custom and code" of which Administrator Cole spoke. And the Government is one of the bulwarks of the blockade.

### III. THE ROLE OF THE FEDERAL MORTGAGE INSURANCE AND GUARANTY PROGRAMS

#### *Introduction*

It may be wondered why the role of the Federal mortgage insurance and guaranty programs is given such exhaustive treatment. It is necessary to do so in this memorandum so that the full background and implications of both FHA and VA operations be clear. It is important to know not only what the situation is but also how it came about.

#### *History*

Federal Government activity in housing has developed over a period of 20 years, beginning with the President's Conference on Home Building and Home Ownership called by President Herbert Hoover in 1932. This led to the establishment of the Home Loan Bank Board and the Home Owner's Loan Corporation. The HLBB was intended to assist banks and lending institutions and to charter and supervise Federal savings and loan associations in order to provide new credit facilities. The Home Owners' Loan Corporation was an early device to refinance home mortgages and reduce the impact of mass foreclosures on institutions with large home mortgage holdings. The Reconstruction Finance Corporation also served a housing function by giving loan assistance in the housing field. These actions were the first in a series of measures designed to provide a more adequate volume of funds available for housing finance in all parts of the country.

As the depression deepened and chaotic conditions in the real-estate market intensified, legislative consideration turned to other aspects of the housing problem. The National Housing Act of 1934, establishing the Federal Housing Administration, was the major expression of these congressional concerns. The chief purpose for which FHA was created was to bolster up the sick construction industry. Specifically, it sought to encourage improvement in housing standards and conditions, to provide an adequate home financing system, and to exert a stabilizing influence on the residential mortgage market.

In the 20 years of its existence FHA has developed from a depression-inspired emergency agency to a major instrument of Federal housing policy. This evolving philosophy culminated in the declaration of national housing policy contained in the National Housing Act of 1949 which declares the Federal Government's basic objective as, "the realization as soon as feasible of a decent home in a suitable living environment for every American family."

This goal was eloquently expressed by the President in his message to Congress on Housing on January 25, 1954, when he stated, "The development of conditions under which every American family can obtain good housing is a major objective of national policy \* \* \*. It is, therefore, properly a concern

of this Government to insure that opportunities are provided every American family to acquire a good home."

The proposed Housing Act of 1954 expresses this same ideal.

The FHA is an integral factor in the attainment of this national housing goal.

#### *Effects*

FHA's influence and effect have been far reaching. It has set standards for the whole home building industry and has substantially changed lending practices. Some of the results of the Federal Government's policy of aids to the private home building industry may be summarized as follows: .....

1. The single, long term, totally amortized residential mortgage has become standard practice for a great part of the industry. This substantially eliminated renewal notes and junior financing which had been the accepted means of financing homes.

2. In providing for minimization of risk and standardized mortgage instrument, FHA has created a new liquid investment market. One major result of this has been the expansion of the market for mortgage securities from one of local scope to one of national proportions.

3. FHA took the lead in introducing long-term credit with lowered downpayments. This trend has been followed by the whole group into the housing market.

4. FHA interest rates have resulted in a greater degree of national uniformity in this area, thus becoming a major stabilizing factor in the country's credit structure.

5. The trend toward the larger institutional lender as the major source of mortgage funds has been fostered by Federal policies.

6. FHA minimum property standards have exerted an important influence on the location, planning, and development of new subdivisions.

7. Standards of construction and design have been similarly affected by FHA requirements

8. The trend toward the development by large-scale builders of huge suburban housing projects is, in large measure, traceable to FHA policies. All these enormous projects tend to be homogeneous as to race, class, and age.

9. The volume of new residential construction, its distribution between rental and owner-occupied and its price range has been decidedly affected by Government policies.

In general it may fairly be said that no other agency, Government or private, has had as great an effect on shaping the character and appearance of American communities.

In 20 years the Federal Government has become the most important factor in the real-estate market. According to Fortune's article on the Insatiable Market for Housing, February 1954:

"The overwhelming fact is that Government guaranty of mortgages, which has cost the taxpayer nothing so far, has done more than anything else to make possible a million or more new houses a year. If people had to pay 20 to 30 percent down, as they do on some uninsured mortgages, millions never would have bought houses. And because Government-guaranteed mortgages have proved ideal investments for banks, insurance companies, and similar institutions, mortgage money now flows freely across State lines.

"FHA's practice of making advance commitments has enabled builders to finance large-scale developments and work out the techniques of quantity production. FHA and VA dominate large-scale residential construction."

FHA has largely determined where housing shall be built, for whom, at what price, the character of construction, and the methods of financing. Its influence has been so pervasive that conventionally financed building has been inevitably affected by its practices. FHA standards have become the norm for the real-estate market.

#### *Purposes*

It is evident that FHA has been utilized for many purposes in addition to the insurance of risks the average mortgagee would not take. In meeting succeeding national emergencies—depression, mobilization, war, demobilization—FHA has been the Federal instrument to relate housing production with national needs and to implement broad social purposes of the Federal Government.

Initially, it was a major pump-priming device of the difficult years. Under different conditions it has served to increase the supply of housing for special groups whose need, particularly in terms of national requirements, was not

being satisfied. These groups included defense workers, war workers, returning veterans, large families, middle-income families, and families made homeless by floods or other disasters.

#### *Structure and operation*

The FHA operation has become an extremely complex one through which it provides insurances against loss on over 20 different types of realty loans. The Veterans' Administration under the provisions of the Servicemen's Readjustment Act of 1944 has a similar program of mortgage guaranties for qualified veterans and a direct loan program for areas where mortgage money is not readily available. This program is based on the same philosophy that underlies FHA and operates complementary to it. The degree of involvement and supervision by the Government over homes covered by mortgage insurance varies with the type of shelter provided and the program under which it is built.

Examination of the several programs shows that in all cases FHA and VA have an intimate relationship to the housing subject to their insured or guaranteed mortgages. It is Government standards which determine the character of the housing provided, the kind of site development, and the rent or sales price. Sanctions of various kinds are provided for noncompliance with these strict requirements. That builders and lending institutions subject themselves to the stringencies of operations within these Government-sponsored programs is indicative of the substantial benefits offered by the Government to those who participate.

While the Government agencies have felt constrained by the purposes and language of the laws to enforce rigid physical standards, they have left the lender and builder free to determine who the consumer shall or shall not be.

Statistically, as has been shown, all elements of the population have not benefited equally under these programs. In fact, by facilitating increased production of housing available in large measure only to whites, it may be argued that these Government programs have actually served to accentuate the disparity of housing accommodations between whites and nonwhites.

#### *Racial policies of FHA and VA*

The question of race and racial housing patterns has not been a subject that FHA has ignored. Such considerations have played a role in its policies from earliest years. Policy directives are contained in rules, regulations, and agency letters issued from time to time as well as the underwriting manual.

The FHA Underwriting Manual contains the criteria used in judging eligibility for FHA benefits. The manual is designed for the guidance of both FHA staff and those who would make use of FHA benefits. Until 1947, the manual warned against insuring property not protected from adverse influences such as use by inharmonious racial groups and declared it necessary to the stability of neighborhoods that properties shall continue to be occupied by the same social and racial classes. It offered a model racial restrictive covenant to insure stability of communities and recommended the inclusion of such covenants in all contracts of sale. This had the effect of blanketing new FHA insured subdivisions with race restrictive covenants and thus barring nonwhites. Actually racial zoning, a device declared unconstitutional by the United States Supreme Court in 1917 (*Buchanan v. Warley*), was accomplished by administrative action of a Federal agency. Under this policy FHA would not insure interracial projects or Negro developments in other than all-Negro neighborhoods.

In 1947 FHA issued a revised edition of the manual deleting most references to racial groups and eliminating the model race restrictive covenant. The mortgagee and the mortgagor must now certify that they "will not file for record any restriction upon sale or occupancy of the mortgaged property on the basis of race, color, or creed or execute any agreement, lease, or conveyance affecting the mortgaged property which imposes any such restrictions upon its sale or occupancy" so long as the mortgage remains in effect.

The first announcement of these rules was made by the then Solicitor General Philip B. Perlman on December 2, 1949, at a conference of the New York State Committee on Discrimination in Housing. He stated that: "The Federal Housing Administration is amending its rules to refuse aid in financing properties the occupancy or use of which is restricted on the basis of race, creed, or color."

Mr. Perlman went on to explain that: "These actions are designated to bring the mortgage insurance operations of the FHA into line with the policy underlying the recent decisions of the Supreme Court of the United States \* \* \*."

It is thus apparent that the chief law-enforcement officers of the country at that time believed that FHA and VA had an obligation to see to it that their

benefits were not used to bolster discriminatory practices based on race. In 1942, Gunnar Myrdal, writing his monumental study of American race relations, *An American Dilemma*, also felt that the elimination of racial restrictive covenants would mean the elimination of segregation. He said, "If the (Supreme) Court should follow up its action of declaring all local laws to segregate Negroes unconstitutional, by declaring illegal also the private restrictive covenants, segregation in the North would be nearly doomed, and segregation in the South would be set back slightly." Neither the social scientist nor the Government official predicted in advance that segregation would actually increase after the Supreme Court decision and related Government action nor that the gentlemen's agreement would take the place of the written racial restrictive covenant.

In December 1949 after the United States Supreme Court had declared race restrictive covenants unenforceable, both the FHA and the VA amended their rules to bar assistance in the financing of property covered by race restrictive covenant recorded after February 15, 1950.

Further, in February 1950 FHA issued additional amendments to its manual in which it stated that, "Underwriting considerations shall recognize the right to equality of opportunity to receive benefits of the mortgage insurance system in obtaining adequate housing accommodations irrespective of race, color, creed, or national origin" (sec. 242).

Yet, even today the manual permits criteria based on racial considerations to be used by FHA appraisers in evaluating property. Section 215, for example, warns that "the persons of incompatible groups in a neighborhood tend to lessen or destroy owner-occupancy appeal." Similar enforcement of the ideal of neighborhood homogeneity in order to insure stability of value is contained in sections 1303 (7), 1220 (1), and 1320 (2). The existence of these instructions plus the lag in implementing policy changes on the local insuring office level, leads to a situation in which racial factors continue to play a role in FHA insuring operations.

The history of FHA racial policy may be grouped into four principal phases.

The first was that in which it followed an open and definite policy of differentiating the housing market on racial grounds. During this period racial considerations were required in making appraisals and evaluations and in granting insurance. This condition continued roughly until 1947.

The second phase may be described as one emphasizing the neutral nature of FHA with regard to factors of race. While in 1947 it deleted positive racial criteria from the Underwriting Manual, it did not substitute therefore any requirement prohibiting or cautioning against their continued use. Under various sections of the manual, racial considerations continue to play a role in appraisals and valuations.

Beginning in 1950 with the proscription against the inclusion of a recorded race-restrictive covenant in insured mortgages the third phase came into being. This was characterized by increasing recognition by officials of the special problems facing minority group families and attempts to encourage the production of dwellings available to minority families. In 1951 announcement was made that all repossessed FHA-insured housing would be administered on a non-segregated basis. A policy directive was issued declaring that with regard to programed title IX private defense housing "as among those applications which are otherwise equally acceptable preference will be given to applications which propose the construction of open occupancy development." In 1953 FHA began to set annual goals for local insuring offices in order to spur them on to increase the supply of housing available to minority families.

In addition, articles appeared in FHA publications pointing out the existence of a sizable housing market among nonwhite families and calling upon private industry to meet their needs. Other articles featured successful Negro housing developments.

A fourth phase was announced by FHA Commissioner Norman P. Mason in a speech on May 21, 1954, in which he outlined a program of reorientation toward positive encouragement by FHA of open occupancy housing as well as a greater desire to serve the minority housing market more effectively. Little has occurred subsequently to show that this more open concept of racial policy is being carried out.

Throughout this history one factor which has had an extremely positive influence has been the racial relations service. During World War II the services of racial relations advisers were extended to FHA. The VA has no comparable service. There are now 10 field advisers in addition to a minority group housing adviser attached to the FHA office in Washington. Even here

there is question whether the racial relations advisers are being used most effectively as an integral component of the FHA system. Instead of allowing the advisers to concentrate on the goal of nonsegregation, the agencies appear to use their services chiefly to develop Negro housing projects.

FHA has not arrived at a stage where it has come out squarely for nonsegregated housing. There is real danger that even its latest policies will result in more acceptable ghettos.

The objectives of recent FHA pronouncements are indeed laudable. However, its accomplishments to date have been pitifully meager in terms of "the right to equality of opportunity to receive the benefits of the mortgage insurance system in obtaining adequate housing accommodations irrespective of race, color, creed, or national origin." And Acting FHA Commissioner Norman P. Mason's announced goal that "the benefits of the entire mortgage insurance systems and of obtaining adequate housing accommodations are to be made available to all families on an equal basis, irrespective of race, color, creed, or national origin."

The Federal Government, as a major participant in the housing economy, has the duty of going beyond mere paper pronouncement. It must look to actual results.

#### *Responsibility of the administrative arm*

Without presenting lengthy citations of statute and court decisions, certain points may be made as to the role and responsibility of the executive branch for the effects of policies of FHA and VA. These agencies are instrumentalities of the Federal Government dispensing a Government benefit. The Government, Federal and State, in distributing its aids and carrying on its functions may not make distinctions based on race. It may not base classifications on race. It may not pass racial zoning ordinances. It may not operate racially segregated schools or racially segregated housing projects. It may not lend its processes to enforce private discriminatory acts such as race-restrictive covenants nor grant damages in the event of their breach.

Further, Government may not permit instrumentalities empowered by it to act or to dispense benefits to do any of the acts which Government itself cannot do. A labor union wanted exclusive bargaining rights under the Railway Labor Act may not refuse to bargain for Negroes or act to destroy their jobs; a private company operating on lease a city-owned theater may not require segregation in the audience.

Section 1 of the civil rights law of 1866 provides:

"All citizens of the United States shall have the same right in every State and Territory, as is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold and convey real and personal property"

FHA and VA by granting mortgage insurance to private builders who follow a known discriminatory policy in effect are zoning racially, are using Government aid to operate racially segregated housing, are lending Government process to enforce unwritten, but nevertheless understood, race restrictive covenants, are empowering a private person to do what the Government itself cannot do—use criteria of race.

It is clearly the responsibility and the duty of the President to require that the Federal housing agencies take a positive stand.

Just as Presidential action was required in the matter of discrimination under Government contracts, civil service, and the armed services, so action by the President is necessary in the case of Government housing programs. FHA and VA have not come to grips with the problem and they probably will not do so until the President requires them to take a positive stand. The people look to the President to take care that the laws be faithfully executed. After 20 years of Government-aided policies of segregation in housing, the least that can be required is a guaranty from all who would use these Federal aids that they will not be used to further practices of segregation and discrimination based on race, creed, color, or national origin.

It is of the utmost importance that the President declare that it is mandatory for all who would avail themselves of Government housing aids to use and pass on this benefit free from any discrimination based on race, creed, color, or national origin and to place squarely on the Federal housing agencies the obligation to conform to and carry out this national policy of equality of opportunity for all.

## IV. SOLUTIONS PROPOSED BY THE HOUSING INDUSTRY

*Goals*

To a greater and greater extent, leaders in building, mortgage finance and real estate are recognizing both the problem of discrimination and the potentialities of the nonwhite housing market. Previously the channel for concern about such problems was a one-way street. Housing industry people were at the receiving end of efforts by civil rights groups and housing agency groups to secure more housing and/or nonsegregation. Recently, however, the housing industry has shown signs of taking the initiative.

Why is the industry trying to get moving? Reasons vary from region to region, from industry to industry, from person to person. Some wish to avoid any additional controls attached to the benefits given under various governmental housing programs. Some want to get rid of existing governmental programs, such as the Federal National Mortgage Association. Some wish to surmount obstacles to all-out urban renewal programs in local communities in order to make downtown land available for commercial or other new uses—or in order to decrease pressure on the walls of the downtown ghetto. Some are disturbed and guilty about the way in which nonwhites have been shut out of the new home market. Some are attracted by the newly noticed healthy market presented by nonwhites.

In one regard all elements of the housing industry seem agreed. They share the same goal, that of increasing the amount of minority housing. Most are thinking of a separate market of different people in separate neighborhoods. They are united in a determination to handle the problem without disturbing the racial composition of neighborhoods like the ones in which they themselves live or the status of attractive vacant land in the suburbs.

*The program*

The program adopted by the housing industry may be broadly characterized as a program of voluntary action on a group basis. Committees have been set up by industry associations to induce builders or mortgage lenders to join together on the local level in order to increase the supply of housing for minorities.

A national goal of 150,000 units for Negroes was set for 1954 by the National Association of Home Builders. In December of 1954, the president of the association urged a "nationwide minority housing goal of 10 percent of all new production". To this end he urged that lenders set aside at least 10 percent of their investment funds for loans to minorities, and that "builders, as a group" should pledge at least 10 percent of their overall production efforts to the creation of minority housing.

A detailed and impressively presented package program on housing for minority groups was prepared and distributed in June, 1954 by the minority housing committee of the home builders. The package consisted of detailed instructions for local associations of home builders in "the planning and execution of an aggressive program to improve the housing condition of minority groups in their communities." Actually most of the package is devoted to planning, rather than execution. It includes advice and sample materials on such matters as holding meetings, gathering market information and issuing news releases.

For the mortgage banking people, the main effort appears to have been channeled into the voluntary home mortgage credit program, created under the Housing Act of 1954. Under this program, regional committees with small staffs have been created to serve as a channel for making private FHA or VA money available to qualified borrowers who have been unable to secure loans because of their minority status. (The program also covers majority group borrowers in small communities and remote areas where VA and FHA money is unavailable.) Lenders cooperating with the program will be asked to make loans at reasonable rates to qualified minority group persons who can show that they have been turned down by at least two local lenders.

The program is too new to allow assessment of its value. However, it may be mentioned that builders have doubts that it will appreciably change the picture relating to new housing construction. Also, there have been no indications that this program is prepared to handle loans to minority groups for purchases outside areas accepted for minority group residence.

The Mortgage Bankers Association has a minority housing committee which has attempted to secure and disseminate data on mortgage experience with nonwhites and on the present availability of funds for minority housing.



Will these programs be successful? They are new and not fully tested. Assuming for the moment that the 10 percent goal is realistic in terms of the need, it may be observed that only a small fraction of the 150,000 units proposed for 1954 by the National Association of Home Builders was actually met. Furthermore, it appears that the distribution of the new Negro housing does not coincide with the distribution of Negro population. Northern cities, which account for a growing proportion of the nonwhite population, have seen little or no housing available to nonwhites. Almost all the new minority housing—and probably all the large-scale minority developments—have gone up in the South.

Moreover, the entire industry program touches only the periphery of the real problem, that of segregation. To the extent that lack of minority housing activity is due to lack of knowledge of the market on the part of industry people, these efforts will be of value. But to the extent that progress is halted by gentlemen's agreements and patterns of segregation, these efforts, which are virtually confined to the concept of Negro housing, will produce little housing. Many industry leaders are well aware how small their efforts are, as compared to the immensity of the problem. They may also know that, of the builders and mortgage bankers who are concerned about the problem of segregation, each is waiting for someone else to start.

#### v. SUGGESTION REGARDING PRESIDENTIAL ACTION

##### *Immediacy of problem*

Above all, it should be fully recognized that immediate action is needed. Segregation is on the increase. The pattern is hardening to one of minority group cities surrounded by an all-white belt of suburbs. Delay in governmental action will mean that the difficulties of changing the pattern will be infinitely greater.

For positive reasons, too, the time is ripe for action. The public is becoming sensitive to the problems faced by Negro families in finding adequate homes in decent neighborhoods. The public is also changing its attitudes, recognizing that good and bad neighbors are to be found in each racial group and that mixed neighborhoods can be wholesome and desirable. This public interest and change of attitude have been clearly expressed by major organizations, such as Catholic, Protestant, and Jewish religions and lay bodies, union groups, civil organizations, and industry groups. In the efforts of these groups can be seen the floundering attempts of the American people to come to grips with the problem and to work toward constructive solutions.

The missing factor is a clear demonstration that the administration is on the side of equal opportunity in this area as in others. Practices of Federal agencies continue to put a premium on segregated and discriminatory housing while general policy statements in favor of equal opportunity are issued. This leads to a confusing picture as to what the real attitude of Government is.

Civil rights groups have come, by various routes, to an amazing and unusual unanimity as to the need for a forthright demonstration of position by the administration. The National Committee Against Discrimination in Housing, the National Association for the Advancement of Colored People, the National Urban League, the key Jewish groups, the CIO, and many religious groups have reached the conclusion that FHA and VA must not be permitted to go on ignoring constitutional guaranties and basic human values. They are united in the conviction that the President should adopt a firm, clear policy and that such action would capture the imagination of the American people.

##### *Presidential order*

It is recommended that the President take actions to insure that the benefits of FHA and VA operations, together with other Federal housing programs, be available on an equal basis and that these benefits do not contribute directly or indirectly to the extension of segregation or discrimination in housing. The only way in which this aim can be achieved is by the issuance of an Executive order on the subject.

Such an Executive order would include:

(a) An affirmation of the policy of the United States Government to provide equal access to Government housing benefits without discrimination or segregation because of race, creed, color, or national origin.

(b) A requirement that the present pledge contained in FHA and VA insured or guaranteed mortgages regarding restrictive covenants be amended to include a statement that there will not be discrimination in sales or rentals against any person who is otherwise qualified, on grounds of race, creed, color, or national origin.

(c) The establishment of an advisory committee made up of representatives of the Federal mortgage insuring agencies, the building, mortgage financing, and real estate industries and the public. The function of this committee would be twofold. It would carry on an educational program aimed at securing general understanding and acceptance of the policy enunciated by the President and it would receive from the concerned Federal agencies reports on progress toward the goal of removing racial and other restrictions in FHA and VA housing and on the extent of compliance with the pledge as amended. The committee would be authorized to appoint regional committees to assist in carrying out its program.

#### *Precedents*

There appears to be ample precedent for this kind of Executive action. Action in other areas, also, serves as a basis for such Executive action with regard to Federal housing programs. Executive Order 9980 promulgated in 1948 directs Federal agencies to make personnel decisions solely on merit and fitness and without discrimination because of race, color, religion, or national origin. Executive Order 9981 declares it to be national policy, "That there shall be equality of treatment and opportunity for all persons in the armed services \* \* \*" and directs the Military Establishment to implement the policy as rapidly as possible. This should be the minimum requirement for the Federal housing agencies.

No one has a right to Government housing aid. Should he make use of this privilege, he has the duty to conform to valid requirements of public policy and law. It is a situation similar in many respects to that of employment patterns in private concerns working on Government contracts. Beginning in 1941 with the issuance of Executive Order 8802, and extended by Executive Order 9346 in 1943, it has been mandatory for every contractor and subcontractor to include in all contracts with the United States Government a clause obligating himself to a policy of nondiscrimination in employment in the performance of his contract. This and subsequent Executive orders including the most recent issued on August 13, 1953, are based on the belief that in fulfilling a contract with the Federal Government a contractor must follow the national policy of equality of treatment and opportunity. In these Executive orders, while the official policy is laid down by the President, the heads of the respective contracting agencies are given primary responsibility for obtaining compliance with the nondiscrimination clause subject now to general supervision by the Committee on Government Contracts.

It is difficult to justify having a lesser standard for a private lender or developer who would make use of Government aid for the production of homes than if that same developer contracted to supply the Government with a product. In both instances a private individual is availing himself of the privilege of contracting a business arrangement with his Government and receiving from that Government a substantial benefit. In one case we have an order for the production of goods at a profit; in the other, mortgage assistance so that he may more easily build or buy a house either for himself or for profit. In one case the grant of this Government benefit is conditioned upon the undertaking of an obligation that these benefits will flow freely to all regardless of race, in the other the decision whether persons shall be excluded from federally aided projects on the grounds of race is left entirely to the discretion of the private developer—or worse, a policy of discrimination is abetted by the knowledge that the responsible officials of a Government agency encourage and support such a policy.

#### *Implementation of order*

The purpose of issuing such an order would be to achieve nondiscrimination in FHA and VA aided housing. It would be the responsibility of the agencies to secure compliance by working with the industry in an understanding, co-operative manner. The President's Committee on Government Contracts has been able to secure results in this manner and has had friendly relationships with the companies holding contracts. There is no reason to expect that FHA and VA, which already have close relationships with the housing industry, would be more prone to a punitive approach or less able to maintain friendly contacts. In handling this responsibility the FHA is fortunate in having personnel experienced in the field of race relations. The racial relations advisers should be used as advisers to operating personnel in the implementation of the order. It would be of the utmost importance to establish in-service training programs to make sure that the policy filters down rapidly to all FHA and VA offices and staff.

The extent of compliance would be measurable in broad terms relating to extent to which markets have been opened and housing patterns changed. The effects of the order would necessarily be felt gradually and its issuance would not bring a rash of complaints. The basic job of the housing agencies would be one of interpretation and assistance to builders receiving commitments. In the important work of interpreting the implications of the order to the industry and the general public, a major role would be played by the advisory committee and its regional committees. The task of education and interpretation will be of the most meaningful sort, since it would be in terms of experience and practice rather than theory and exhortation.

It would be important for the housing agencies to develop procedures which would allow emphasis on securing favorable demonstrations. Large new housing developments which create their own neighborhoods are of primary significance to racial patterns, since exclusion in these developments brings exclusion in schools, recreation, and other community activities. Therefore, such mass developments should be given primary attention by the agencies responsible for implementation.

It is fortunate that the order mainly would affect newly constructed developments. Experience with new racial policies in many fields of activity, including housing, demonstrates that it is far easier to start from scratch with a nonsegregated pattern than to change a previously segregated pattern. An article in Harper's Magazine, December 1953, dealing with Levittown, Long Island, and Park Forest, Ill., states, "No other question arouses so much heat, guilt, and dissension as racial discrimination against Negroes . . . Strangely, nearly all agree that if Negroes had been accepted from the first there would have been no problem. A typical comment: 'I'll admit it wouldn't have made a damn bit of difference to me originally'."

Experience in public housing bears out the point that it is easiest to start on a nonsegregated basis. Housing authorities which have adopted nonsegregation policies have had the smoothest course in their new projects, and have had more difficulty in existing projects which had been segregated.

#### *Interpretation and education*

The educational program of the advisory committee would be of greatest importance. Obviously the order would have maximum effectiveness where it is clearly understood on the local level. For this reason, it is suggested that regional committees be set up by the national advisory committee. This would allow a program on the grassroots level of interpreting the new policy and securing support by the housing industry and the public.

As has been indicated above, many national and local organizations would wish to share in the program. The cooperation of these organizations should be encouraged by the national advisory committee and the regional committees.

## VI. THE CHOICE

### *Goals*

The issue of racial patterns in Government-aided housing has become widely recognized by housing people, both in the industry and in Government. No longer is it a problem that can be readily ignored. Yet even now there are signs that the central question is being glossed over. There is much talk about whether industry or Government should do the job, conveniently forgetting to define the job.

The real choice is between integration and segregation in FHA and VA housing; between freedom of opportunity and limitation of opportunity. This choice must be made first. Only then can the second question, concerning responsibility, be decided. Keeping in mind the central problem of goals, we recognize that the program of the housing industry groups has an unspoken goal. They aim not only to create some more palatable housing for Negroes and to meet an interesting new market, but also to keep Negroes in separate communities. Furthermore, if Government accepts this approach and speaks of 10 percent quotas and minority housing, then Government is agreeing to the goal of more segregation. As we have showed earlier, the effort to achieve separate but equal housing is bound to fail.

We are convinced that the decision must instead be in terms of basic American principles, which mean equal opportunity for all and require that Government may not be directly or indirectly involved in any discrimination based on race, creed, or national origin.

### *Channels*

Neither Government alone nor the housing industry alone can do the big job of achieving equal opportunity in housing. Here truly is a place for partnership between Government and industry. Together the two elements can move consistently toward realization of the goal.

What is needed is for someone to make the first move. The industry has had its opportunity and has avoided facing the issue. Government, in order to avoid continued use of its benefits for discrimination, must take the initiative.

We therefore strongly recommend the adoption by FHA and VA of a requirement that there may be no discrimination or segregation in any housing receiving mortgage insurance or guaranties. We recommend further that the President immediately issue an Executive order establishing this requirement. The Government should no longer place on private industry the entire responsibility for situations in which Government funds are involved. Furthermore, action by the Government as recommended will help open channels for the efforts of the housing industry and citizen groups toward the broad goal of equal opportunity in housing.

### *Experience in other fields*

Great strides toward desegregation have occurred in many fields over recent years. Almost without exception where successful desegregation has occurred, three characteristics are present—clear, firm overall policy by responsible authorities; provision for orderly implementation; and careful interpretation in terms of democratic and moral values.

The above recommendation meets these three criteria. First, policy regarding FHA and VA operations would be enunciated by the Chief Executive of the Government. Second, there is provision for firm implementation, utilizing resources of industry leadership, as well as Government leadership. Third, all elements of the industry and the public would be involved in interpreting the basic principles behind the policy.

A solid body of evidence has been developed, based on social science research, that the public is receptive to change in racial patterns where firm leadership is provided. What seemed unimaginable only a few years ago is taken for granted today. In 1943, no Negroes were attending southern white institutions of higher learning. Today between 1,000 and 2,000 Negroes are attending 75 public and private colleges and universities in the South, as a result of Supreme Court decisions. Not a single untoward incident has occurred as a result of this change. Another dramatic illustration is the integration of the Armed Forces, considered impossible before World War II, now almost complete. In advance of these changes and almost every other change in racial patterns, there were sincere predictions that the new policy would not work, that the public was not ready to accept it. The weight of the evidence gathered by social science shows overwhelmingly that Americans respond favorably to change in the direction of democratic principles, when given leadership by responsible authorities.

In the field of employment, the evidence shows that efforts to secure voluntary adoption of nondiscrimination policies rarely meet success, in the absence of firm leadership by authority. In Cleveland, Ohio, the chamber of commerce developed a program designed to encourage local business to adopt a nondiscriminatory employment policy through education and persuasion alone. At the end of a year, the chamber found that the educational approach was not adequate and recommended the adoption of legislation. Summarizing the Cleveland experience, the executive director of their community relations board stated, "There was a willingness to institute fair hiring practices, but an unwillingness to make the decision without the support of a community policy as expressed through the law." Experience in cities and States with fair employment laws shows that many employers adopted nondiscriminatory employment policies immediately after passage of the law, without waiting for educational or compliance programs to be set up.

According to an analysis of experience in integration all over the country prepared by the Public Housing Administration, "Firm policy is unquestionably the keystone of successfully integrated housing programs." In the tiny handful of cases where change of occupancy patterns in public housing met with resistance, it is apparent that there was a lack of clear acceptance of responsibility by housing and law-enforcing agencies. Meanwhile over 200 local housing authorities, successfully and without publicity, have made the transition from segregated to integrated occupancy.

For those affected by a policy change, it is essential to know that top authorities will adhere firmly to the policy and that the policy will be applied without exemption. As long as purely voluntary change of policy by builders is sought, each builder would wait for the other person to act. When it is recognized that all are in the same position, each would feel more able to change his policy.

#### *Response of housing industry*

In 1954 a major insurance company which is known for its advanced social position, was planning a very large housing development. Wanting to do the right thing, the company assigned an executive to explore the possibility of an open or a "controlled interracial" occupancy policy. He talked to other insurance companies, builders, mortgage bankers, intergroup relations agencies, and FHA and HHFA officials. In all his contacts, his main questions were, "Who has already done this? Who is about to do it?" The answers were discouraging. No comparable large single-house development has had mixed occupancy. Finally the company decided that it could not afford to be alone in breaking the pattern and that Negroes will be excluded. It is clear that the company was sincere in its desire to have a democratic policy. It is also apparent that the only thing lacking was an indication that some other firm was in the same position and ready to take positive action. There is little question that this demonstration of open occupancy would now be in process if the kind of action suggested above had already been undertaken.

As has been indicated, we believe that the housing industry and the Federal housing agencies are ready to respond to leadership. Some of the firms most sensitive to the problems faced by minority groups would take action immediately upon issuance of the order, thus providing the practical demonstrations which are so needed. Other firms would learn that nondiscrimination in housing can work and would receive information on methods of carrying out such a policy. FHA and VA personnel would assist the pioneering firms and would also learn from their experience.

New York City has a law, passed in July 1954, forbidding discrimination in FHA insured or VA guaranteed multiple-unit housing. There have been no signs that this law has had any harmful effect on the volume of new construction. A number of cities and States have legislation requiring nondiscrimination in housing constructed in redevelopment areas. The fact that builders and lenders have gone ahead with projects in these areas is an indication of the willingness of the industry to respond to firm overall policy.

This is not to say that most builders, lenders, real-estate men, or even Federal housing officials would press for administration action in advance. Many might say that it would not work, or that the time is not ripe, or that while they personally would be willing to go along, the rest would refuse. This prediction of the response is based on what has been said about other proposed changes in policies and practices in race relations. Exhaustive research by social scientists has established that people almost always overestimate the prejudice of their own racial group and that people almost always overestimate their own rejection changes in racial patterns.

Some might say that builders would "go on strike" and refrain from taking advantage of FHA and VA benefits. Refusal to use FHA and VA benefits would imply that these benefits can be dispensed with. As Fortune magazine stated in the previously cited article on the housing market, "The Government's role as insurer of mortgages, indeed, is so vital that no one in the industry, builder or banker, Republican or Democrat, would hear of its relinquishing that role." Richard Hughes, president of the National Association of Home Builders, said in a speech on May 21, 1954, "I have been fighting for FHA because I honestly believe that it is the very backbone of the modern home builder and the home-building industry. And, it has done more for the average American than any other institution; and because of it, millions of Americans who had never even dreamed of home ownership are today the proud owners of their own homes." During the period when various States and cities considered laws against employment discrimination, predictions were made that industry and business would move away. Experience shows that nothing has happened to bear out the prediction in areas which have passed such laws.

There would also be predictions that housing production would drop sharply. The fear is that builders and bankers, believing that many whites would refrain from buying, would not wish to risk large investments in new construction. This is an understandable fear. Yet we believe that white homeseekers would not

refuse to buy, nor nonwhite homeseekers fear to buy, if they are convinced that the new nondiscrimination policy will be applied broadly and equitably. If the housing industry should attempt evasion or outright resistance, then they would create in the market the very reluctance, the wait-and-see attitude, which is feared.

We do not wish to minimize the fact that readjustments will be necessary. In particular the difficulty of finding land available for new housing will require considerable attention.

In view of the nature of the housing field, it should be recognized that the effects of a new policy would be felt only gradually. For one thing, FHA and VA deal at any one time with a very small proportion of the total national housing stock of 41 million dwelling units. For another, nonwhites represent only 10 percent of the population and proportionally less of the middle- and upper-income groups.

We are sure, however, that with good faith on the part of the housing industry and with full cooperation and assistance from Federal housing agencies, the housing economy can be greatly strengthened by the removal of barriers to the widest possible market. It is particularly important that many builders, bankers, and real-estate men would show the way, as soon as Federal policy was clearly established. The action of these potential leaders would be invaluable in gathering experience and in helping to maintain a high level of production.

#### *Response of the American public*

Experience indicates that, like people in the building industry, the general public would accept the implications of the proposed Executive order. The American people believe in the principle of equal opportunity and have consistently accepted actions by responsible authorities which follow this principle. Already the public is coming to question the old myths that have bolstered segregation in housing.

Many white and Negro families have had experience living in interracial neighborhoods and are aware that neither group has a monopoly on neighborliness and community responsibility. They know that property values, cultural values, and human values can be maintained in areas open to all. This knowledge is being spread gradually throughout the general public.

The recommended policy and program should, if carried out with wisdom and good faith, achieve results with a minimum of problems. This does not mean that there would be no protest. But one of the most striking characteristics of changes in race relations over recent years is that predicted trouble did not occur. Time magazine, in a recent article on desegregation, cites Herman Talmadge's warning that "blood will flow in the streets" and contradicts it with this statement, drawn from many observations: "In communities and on campuses all over the United States, there was ample evidence to prove one thing: wherever segregation has been abolished, no blood has flowed."

This has also been true in the case of public and private housing, with the exception of a few well-publicized cases of violent resistance. Examination of these cases shows a pattern of police failure to provide adequate and impartial protection or even, as in Cicero, Ill., actual participation in the resistance by police. Where responsible authorities have taken firm leadership, no violence has occurred.

## PHILADELPHIA'S NEGRO POPULATION

### FACTS ON HOUSING

Prepared by the Philadelphia Housing Association for the Commission on Human Relations, October 1953

#### FOREWORD

Where people live, the kind of housing they live in, and the opportunities they have for improving their living conditions vitally affect relationships between individuals and groups. The Commission on Human Relations, under the Philadelphia home rule charter, is responsible for conducting programs "to promote the equal rights and opportunities of all persons, regardless of their race, color, religion, or national origin." An essential part of such programs is the presentation to the community of factual information about particular aspects of human relations.

Because the commission regarded the Philadelphia Housing Association as the local agency best qualified to make this study, it contracted with the Association to compile and analyze certain facts about the housing of the Negro population in Philadelphia.

The commission publishes this document with the hope that it will be helpful to those community agencies who, in their efforts to achieve greater appreciation, understanding and respect for persons of different races and backgrounds, are seeking solutions to the problems of restrictions and segregation in the housing field.

PHILADELPHIA HOUSING ASSOCIATION,  
*Philadelphia, Pa., October 30, 1953.*

ROBERT J. CALLAGHAN, Esq.,

*Chairman, Commission on Human Relations,  
Market Street National Bank Building,  
Philadelphia, Pa.*

DEAR MR. CALLAGHAN: We are transmitting herewith facts on Philadelphia's Negro population and its housing, a study which represents the fulfillment of work undertaken at the request of the Commission on Human Relations.

The Philadelphia Housing Association believes that the facts presented here will be valuable to the commission and to many other agencies, both private and public. Certainly the data are essential to the work of our association and we are grateful to the commission for making the study possible.

The scope of the study was determined by the association's contract with the commission. Many aspects of the housing problem as it affects minority groups need further exploration. Particularly urgent are local studies of the market for Negro housing and the effects of changes of racial occupancy on market values.

The study was carried out under the direction of Dr. Elfriede Hoerber, research director of the association, who also wrote the text. She was assisted by Beverly Weinstock of the association's staff and Robert Bogen and Harold Joseph of Antioch College. The latter also performed the fieldwork in connection with the survey of new housing available for Negro occupancy. The maps and charts were prepared by and under the direction of Barbara N. Muhs with assistance from Robert Bogen and Harold Joseph.

We gratefully acknowledge the continuous assistance and encouragement received from the commission's staff, especially George Schermer and Burton Gordin whose suggestions were most helpful. Thanks go also to William D. Ravidin, chairman of the association's publications committee who read the first draft and whose recommendations were incorporated in the report.

Sincerely yours,

G. HOLMES PERKINS, *President.*

#### SUMMARY OF FINDINGS

##### GROWTH OF PHILADELPHIA'S NEGRO POPULATION

Philadelphia's Negro population has been growing at a much faster rate than the white population.

One-twentieth of the population in 1900, Negroes constituted nearly a fifth in 1950. Between 1940 and 1950, the Negro population increased 50 percent, and the white 0.8 percent.

The white population declined 2 percent between 1930 and 1950, while the Negro population increased 70 percent.

##### WHERE DO PHILADELPHIA'S NEGROES LIVE?

Philadelphia's Negro population is concentrated in north-central Philadelphia, south Philadelphia, and west Philadelphia north of Market Street. North-central Philadelphia has become the major Negro area in Philadelphia.

In 8 wards Negro households outnumbered white ones in 1950 compared with 2 wards in 1940.

In 40 census tracts Negro households were in the majority. In these tracts were found two-thirds of the Negro households; and the same tracts absorbed two-thirds of the increase in Negro households during the decade from 1940 to 1950.

Most Negro families and many whites lived in mixed blocks. Only one-eighth of all Negro families lived in blocks entirely occupied by Negroes.

The number of city blocks in which Negro families lived increased by 466—from 3,446 to 3,912—from 1940 to 1950. The number of blocks having more than 90 percent Negro households increased the most. The process of dispersion, indicated by the increase in the number of blocks in which Negroes lived, was counteracted by the process of concentration, indicated by the sharp increase in the number of blocks occupied solely by Negroes as well as of blocks in which they were in the majority.

#### HOW DO PHILADELPHIA'S NEGROES LIVE?

The 1950 census enumeration showed the housing occupied by Negroes to be, on the average, of much poorer quality than that occupied by whites.

Eight times as many Negroes, proportionately, lived in dilapidated housing, and Negro families were without private baths three times as often as were whites. The number of white families in substandard housing declined to two-thirds of the 1940 total, while the number of Negro families in substandard housing was nearly one-third higher than in 1940.

Crowding was three times as frequent among Negro families as among whites. While the number of white families in crowded housing decreased by 10,000 during the decade, the number of Negro families in crowded housing increased by 7,000.

The lowest rents were not found in areas where Negroes predominate but rather in old predominantly white sections.

The number of Negro homeowners more than quadrupled during the census decade, yet home ownership was still found more than twice as often among whites as among Negroes.

Almost one-half of all Negro families were in areas certified for redevelopment compared with less than one-eighth of the white families.

#### CHANGING NEIGHBORHOODS

Analyses of two changing neighborhoods showed that, in an area of poor housing in which Negro households increased, housing quality deteriorated; in a second area of substantially good housing, quality improved simultaneously with an increase in the proportion of Negro families.

#### NEGROES IN THE PHILADELPHIA METROPOLITAN AREA

Eighty-five percent of the total Negro population increase in the Philadelphia standard metropolitan area occurred in the city, and 15 percent in the suburbs; 4 percent of the total increase in white population occurred in the city and 96 percent in the suburbs.

While the ratio of Negroes in the city increased from 13.1 percent in 1940 to 18.3 percent in 1950, in the 7 suburban counties, the ratio remained the same, 6.6 percent. When the 2 cities, Camden and Chester, are excluded, the ratio of Negroes in the 7-county area shows a decrease from 5.6 percent to 5.3 percent.

The Negro population increase was mostly absorbed in places which had had a substantial Negro population for a long time.

#### NONWHITE POPULATION IN 18 METROPOLITAN AREAS

As in Philadelphia, the increase in white population in the 18 largest cities and their metropolitan areas was predominantly suburban, while the increase in nonwhite population occurred mostly in the cities.

In all but one of the country's 18 largest cities, the percentage increase was higher for the nonwhite than for the white population within the city proper.

#### NEW PRIVATE HOUSING AVAILABLE FOR NONWHITE OCCUPANCY

New private housing available to Negroes in the Philadelphia area since the end of the war totaled 1,044 dwelling units, while the total private new construction volume was in excess of 140,000 units. Nearly all of the new housing available to Negroes was of small size. Most of it was located in neighborhoods undesirable on one count or another. One-third was for sale, with small one-story row houses predominating.



## GROWTH OF PHILADELPHIA'S NEGRO POPULATION

For several decades, Philadelphia's nonwhite<sup>1</sup> population has been growing at a much faster rate than the white population. Since the turn of the century the white population has increased by 38 percent, the Negro population by 492 percent. In 1900, Negroes constituted a twentieth of the total population, by 1950 nearly a fifth.

Philadelphia's white population has remained virtually stationary since 1920, while the Negro population nearly tripled in these 30 years. The white population today is smaller than 20 years ago, but the Negro population grew by 70 percent since 1930.

During the past intercensal decade, from 1940 to 1950, Philadelphia's Negro population increased from 252,757 to 378,968, or 50 percent. The number of Negro households increased by 35,193 (from 65,492 to 100,685), or 54 percent. The white population during the same period increased by 0.8 percent, and white households by 9.6 percent.

Table 1 presents the figures for the white and the nonwhite population for each census year since 1900, as well as the percentage distribution for both groups. The population growth by race is graphically shown in figure 1. Table 2 presents the change in numbers as well as percent for each intercensal decade for both whites and nonwhites.

The largest numerical increase in the nonwhite population occurred during the 1940 to 1950 decade, but the rate of increase, as expressed in percent, was higher during the periods from 1910 to 1920 and from 1920 to 1930.

Negro as well as white households increased at a faster rate during the decade than the population, because the average family today is smaller than 10 years ago.

The ratio of population to dwelling units for Negroes decreased from 3.9 in 1940 to 3.8 in 1950, while that of the white population declined from 3.8 to 3.5.

TABLE 1.—Population by race, Philadelphia: 1900 to 1950

Year	Total number	White		Nonwhite	
		Number	Percent	Number	Percent
1900.....	1,293,697	1,229,673	95.1	64,024	4.9
1910.....	1,549,008	1,463,371	94.5	85,637	5.5
1920.....	1,823,779	1,688,180	92.6	135,599	7.4
1930.....	1,950,961	1,728,457	88.6	222,504	11.4
1940.....	1,931,334	1,678,577	86.9	252,757	13.1
1950.....	2,071,605	1,692,637	81.7	378,968	18.3

Source: United States Census, 1910, Supplement for Pennsylvania (contains also 1900 figures); United States Census, 1920, vol III, Population, United States Census, 1930, vol III, Population, pt. 2; United States Census, 1940, Population, 2d series, Characteristics of the Population, Pennsylvania, United States Census of Population, 1950, vol II, Characteristics of the Population, ch. 38.

TABLE 2.—Change in the population, by race, Philadelphia, for intercensal decades: 1900 to 1950

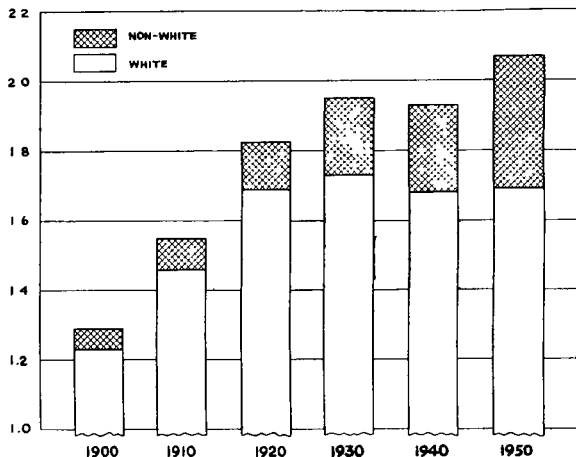
Decade	Total increase †		White		Nonwhite	
	Number	Percent	Number	Percent	Number	Percent
1900-10.....	255,311	19.7	233,698	19.0	21,613	33.8
1910-20.....	274,771	17.7	224,809	15.4	49,962	58.3
1920-30.....	127,182	7.0	40,277	2.4	86,905	64.0
1930-40.....	-19,627	-1.0	-49,880	-2.9	30,253	13.6
1940-50.....	140,271	7.3	14,060	.8	126,211	49.9

Source: Table 1.

<sup>1</sup> Philadelphia's nonwhite population is virtually all Negro; only 2,927 persons were counted in 1950 under the heading "other races"; this count included 409 Indians, 1,242 Chinese, and 416 Japanese; thus, "other races" constitute less than 1 percent of the nonwhite population and less than two-tenths of 1 percent of the total population. Wherever the term "Negro" is used in the following chapters it actually includes the other nonwhites cited above.

## PHILADELPHIA'S POPULATION BY RACE, 1900-1950

MILLIONS OF PEOPLE



SOURCE UNITED STATES CENSUS

FIGURE 1

## WHERE DO PHILADELPHIA'S NEGRO FAMILIES LIVE?

*Distribution by city sections*

The major concentrations of Philadelphia's Negro households are in South Philadelphia, North-Central Philadelphia, and West Philadelphia north of Market Street. Although 89 percent of Philadelphia's Negro households are found in these three sectors Table 3 shows the number and the percentage distribution of Negro households by major city areas. The boundaries of these areas as well as the percentage of Negro households living in each area are shown on figure 2.

TABLE 3.—*Distribution of nonwhite households by sections<sup>1</sup> of the city, Philadelphia, 1940 and 1950*

Section	1940		1950	
	Number	Percent	Number	Percent
South Philadelphia.....	19,444	29.7	23,528	23.4
North-Central.....	25,726	39.3	44,407	44.1
North Philadelphia.....	1,625	2.6	3,192	3.2
Kensington-Northeast.....	1,700	1.1	1,056	1.0
Germantown-Roxborough.....	2,445	3.7	2,991	3.0
West Philadelphia, north.....	12,610	19.2	21,903	21.7
West Philadelphia, south.....	2,942	4.5	3,608	3.6
Total.....	65,492	100.0	100,685	100.0

<sup>1</sup> For boundary lines of sections see fig. 2.

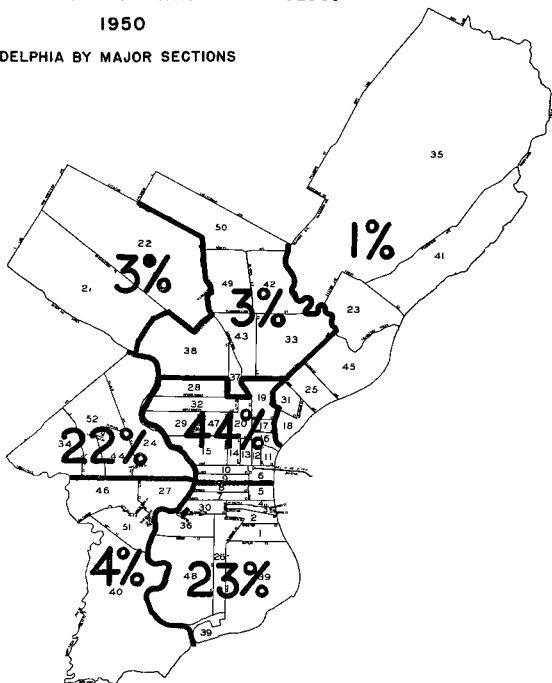
Source: United States Census, 1940, Population and Housing, Statistics for Census Tracts, Philadelphia, Pa. United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42.

North-central Philadelphia, roughly the area between the two rivers, north of Market Street to Lehigh Avenue, has become the major area of Negro occupancy in Philadelphia. South Philadelphia, though gaining in the number of Negro households, had a decreasing percentage of the city's nonwhite households.

**DISTRIBUTION OF NONWHITE HOUSEHOLDS:**

**1950**

**IN PHILADELPHIA BY MAJOR SECTIONS**



PREPARED FOR THE PHILADELPHIA COMMISSION ON HUMAN RELATIONS BY THE PHILADELPHIA HOUSING ASSOCIATION

SOURCE. U S CENSUS

JUNE 1953

FIGURE 2

North-central Philadelphia absorbed most of the total increase of 35,193 non-white households during the decade, namely 5 percent. West Philadelphia, north of Market Street, absorbed 26 percent, and south Philadelphia 12 percent. In contrast, only 1.6 percent of the increase occurred in Germantown, 4.5 percent in north Philadelphia north of Lehigh Avenue, and 1 percent in Kensington and the northeast.

Thus, the facts do not sustain the widely held belief that Negroes are finding homes throughout the city. It is true that the areas of Negro occupancy expanded between 1940 and 1950, but most of the expansion took place in or adjacent to areas where Negroes already constituted a large part of the population. The much discussed occupancy changes in Germantown and in the district north of Erie Avenue were numerically of small significance.

*Distribution by wards*

In 8 of Philadelphia's 52 wards, Negro households outnumbered white in 1950. They are, in order of proportion of nonwhite households, the 30th, 47th, 32d, 14th, 13th, 44th, 20th, and 24th. In the first 2, nonwhite households represented more than 75 percent of the total. This is a striking change from 1940 when nonwhite households had a majority in only 2 wards, the 30th and 47th.

In 11 wards the ratio of nonwhite households declined. With the exception of the 7th ward, they are all wards with very small ratios to begin with. (See table 17, appendix.)

*The areas of concentration*

Philadelphia's Negro population is concentrated in 40 census tracts,<sup>1</sup> in which Negro households constitute the majority.<sup>2</sup>

In these tracts (see the shaded areas on fig. 3) are approximately one-seventh of the city's households, but nearly two-thirds of the Negro households. Here are 40 percent of the city's substandard dwelling units, and nearly one-third of the crowded<sup>3</sup> dwelling units. (See table 18, appendix.)

The number of dwelling units occupied by Negroes in these areas increased from 43,686 in 1940 to 66,203 in 1950. Thus nearly 23,000 additional Negro families moved into these tracts during the decade, or nearly two-thirds of the city's total increase in Negro families. In 1940, 55 percent of all dwelling units in these tracts were occupied by Negro households; by 1950 the ratio of Negro households in these tracts had increased to 76 percent.

The change in these areas was not simply a process of one white family moving out and a Negro family moving in. While nearly 13,000 white families moved out, 23,000 Negro families moved in, an increase of 10,000 households. Some 2,000 public low-rent housing units were newly built and occupied by Negro families in these areas. This still leaves 8,000 additional families crowding into the existing houses. With the exception of public housing, no new housing to speak of was built that could accommodate the population increase.

Nearly two-fifths of the Negro households in these areas occupied substandard dwellings, that is, dwellings either dilapidated or without essential sanitary facilities, whereas only about one-fifth of the white families in these areas occupied substandard housing.

Another group of Negro households, 29,175, was found in 52 census tracts where the ratio of Negro households exceeded 10 percent but was less than 50 percent<sup>4</sup>—the areas outlined in black line on figure 3. This group, together with the one living in the 40 census tracts having more than 50 percent Negro households, constituted 95 percent of the Negro households in Philadelphia. The remaining nonwhite households, 5 percent, were scattered over nearly 200 census tracts.

Thus the overwhelming majority of nonwhite households were concentrated within 92, or less than one-fourth, of the city's 404 census tracts. Nearly one-half of all census tracts had small proportions of Negro households; in about 100 of these tracts the ratio of Negro households was less than 0.5 percent; almost one-third of all tracts had no nonwhite households at all.

Negro households decreased in 109 tracts, mostly by small amounts, for a total decrease of 1,000 households. More than half of the decrease, 585 households, was concentrated in 7 South Philadelphia tracts. These decreases were largely due to the demolition of dwellings. There were scattered decreases in nearly 100 tracts. The 1950 percentages of Negro households in each census tract are shown in figure 4.

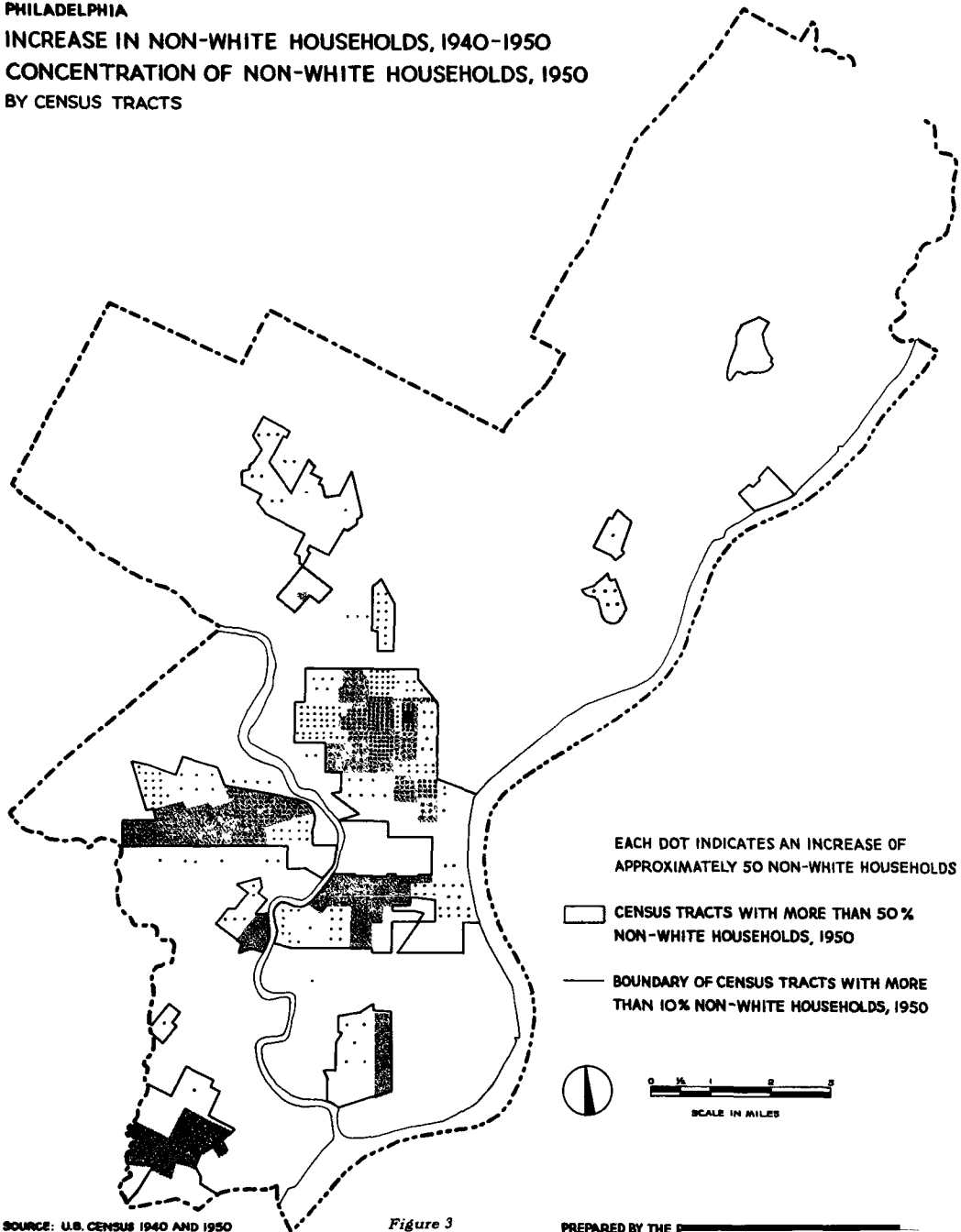
<sup>1</sup> There are 404 census tracts in the city. The census tracts are small areas into which the Bureau of the Census divides the city for statistical purposes. They are in most cases subdivisions of wards.

<sup>2</sup> Tracts with less than 100 dwelling units were omitted.

<sup>3</sup> More than one person per room, the room count including kitchens, but excluding bathrooms.

<sup>4</sup> Tracts with less than 100 dwelling units were omitted.

**PHILADELPHIA**  
**INCREASE IN NON-WHITE HOUSEHOLDS, 1940-1950**  
**CONCENTRATION OF NON-WHITE HOUSEHOLDS, 1950**  
**BY CENSUS TRACTS**



SOURCE: U.S. CENSUS 1940 AND 1950

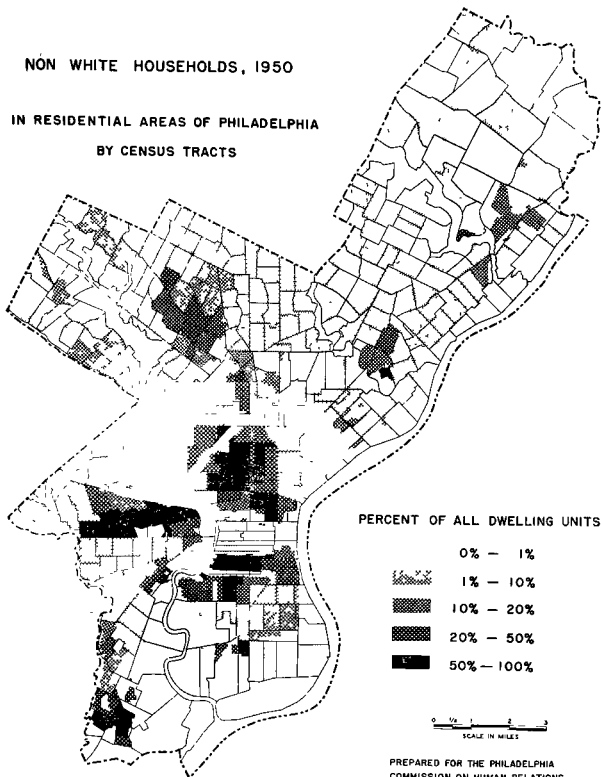
Figure 3

PREPARED BY THE [Redacted]



NON WHITE HOUSEHOLDS, 1950

IN RESIDENTIAL AREAS OF PHILADELPHIA  
BY CENSUS TRACTS



SOURCE U S CENSUS, 1950

PREPARED FOR THE PHILADELPHIA  
COMMISSION ON HUMAN RELATIONS  
BY THE PHILADELPHIA HOUSING ASSOCIATION  
JUNE 1953

FIGURE 4

*Most Negro families and many whites live in mixed blocks*

Although most Negro families lived in areas where they constituted the majority of all families, it is also true that most of them lived in blocks occupied by both white and nonwhite families. Only 12 percent of the Negro households were in blocks occupied exclusively by Negroes. The highest number, 2,454, as well as ratio, 33.7 percent, of Negro households in blocks entirely occupied by Negroes were found in the 30th ward in south Philadelphia (see tables 19 and 20, appendix). But even in this ward where Negroes outnumber whites 10 to 1, two-thirds of them lived in mixed blocks,<sup>6</sup>

<sup>6</sup> The term "mixed block" covers a wide variety of situations, including, for example, an all-white block in an all-white area with a Negro janitor or watchman residing in an apartment house or commercial establishment; or a white businessman living at his or close to his place of business in an otherwise all Negro area; a "changing" block into which a few Negro families have just moved; a block, virtually all Negro, in which a few whites have remained; transition areas in which whites are gradually disappearing; or truly mixed neighborhoods where the pattern is rather stable.

The majority of the white households were in all-white blocks, but a rather substantial proportion, nearly one-fourth, were in mixed blocks.

Compared with 1940, the number as well as the ratio of Negro households in all-Negro blocks has increased, the number from 3,674 to 12,476, and the ratio from less than 6 percent to slightly over 12 percent. As to the white households living in mixed blocks, the ratio declined slightly, from 23.5 percent in 1940 to 22.4 in 1950, though the number increased from 103,840 to 108,513 (see tables 19 and 20, appendix).

In 1950, Negroes lived in 3,912 city blocks, or 30 percent of the 13,085 residential blocks in the city. In 1940, Negroes had lived in 3,446 blocks, or 28 percent of 12,210 residential blocks. Thus, during the 10-year period, housing became available to Negro occupancy in 466 additional city blocks. At the same time, the total number of residential blocks increased by 875 blocks, and the number of blocks exclusively occupied by white families increased by 409. The proportion of city blocks entirely occupied by Negroes, or blocks where Negro households are in the majority, increased from 11 percent in 1940 to 14.9 percent in 1950, while the ratio of mixed blocks where whites predominate decreased from 17.2 percent to 15 percent. Blocks entirely occupied by whites increased in number, but their ratio declined slightly from 71.8 to 70.1 percent (see table 4).

The average number of nonwhite families per mixed block increased sharply from 18.6 to 24.6 families, while the average number of white families per mixed block declined slightly from 31.2 families to 30.2 families.

Table 5 shows the distribution of blocks in which nonwhite families live by the percentage of nonwhite occupancy for 1940 and 1950. The number of blocks with over 40 percent nonwhite occupancy has increased in all ranges; blocks with more than 90 percent nonwhite households have increased the most.

The 1950 distribution pattern shows that there were 460 more blocks with over 90 percent Negro households than in 1940, a 90-percent increase in blocks of high concentration.

TABLE 4—Residential blocks, by type of racial occupancy, Philadelphia—1940 and 1950

Type of occupancy	Residential blocks			
	1940		1950	
	Number	Percent	Number	Percent
Nonwhite households only.....	124	1.0	320	2.5
Nonwhite households predominantly.....	1,227	10.0	1,627	12.4
White households predominantly.....	2,095	17.2	1,965	15.0
White households only.....	8,764	71.8	9,173	70.1
Total.....	12,210	100.0	13,085	100.0

Source: United States Census, 1940, Housing, Supp. to the 1st series, Philadelphia, Block Statistics; United States Census of Housing 1950, vol. 5, Block Statistics, pt. 143.

The trend of the 10-year period as discernible from these figures may perhaps be interpreted as follows: Larger areas of the city are becoming all or nearly all Negro, as is indicated by the almost doubling of the number of blocks in which Negroes constitute a more than 9-to-1 majority. Previously all-white blocks are becoming mixed blocks, as is indicated by the 466 additional blocks now having Negro households. Whites are moving into newly developed areas with the number of all-white blocks increasing by 409, and relatively fewer white families live in mixed blocks than a decade ago. More Negroes are now living in predominantly nonwhite blocks than before.

The process of dispersion indicated by the increase in the number of blocks in which Negroes live, is counteracted by the process of concentration indicated by the increase in the number of blocks in which Negroes predominate and the decrease in the number of blocks in which they constitute the minority.



TABLE 5.—*Blocks containing nonwhite households, by percentage of nonwhite households, Philadelphia: 1940 and 1950*

	Blocks			
	1940		1950	
	Number	Percent	Number	Percent
Percent nonwhite households in block				
90 and over.....	509	14.8	969	24.8
80 to 89.....	306	8.9	355	9.1
70 to 79.....	196	5.7	214	5.5
60 to 69.....	155	4.5	194	4.9
50 to 59.....	185	5.3	215	5.5
40 to 49.....	175	5.1	211	5.4
30 to 39.....	246	7.1	223	5.7
20 to 29.....	273	7.9	263	6.7
10 to 19.....	292	8.5	310	7.9
Under 10.....	1,109	32.2	958	24.5
Total.....	3,446	100.0	3,912	100.0

Source: United States Census, 1940, Housing, supp. to the 1st series, Philadelphia, Block Statistics; United States Census of Housing, 1950, vol. V, Block Statistics, pt. 143.

*Negro households in redevelopment areas*

Nearly one-fifth of Philadelphia's households are in the 17 areas certified for redevelopment. Almost one-half of all Negro households are in such areas, compared with less than one-eighth of the white households.

In 5 redevelopment areas, Temple, Poplar, Mill Creek, Powelton, and Southwest Central, the percentage of Negro households ranges from 56 to 84. Altogether, 36,000 Negro households are in these areas (36 percent of all Negro households in Philadelphia) compared with 19,000 white households (or 4 percent of all white families). (See table 6.)

TABLE 6.—*Dwelling units occupied by nonwhite persons in redevelopment areas, Philadelphia: 1950*

Redevelopment area	Total dwelling units	Occupied by nonwhite	
		Number	Percent
A. Aramungo.....	1,946	252	12.9
B. Lehigh.....	6,276	1,503	23.9
C. Temple.....	16,647	9,334	56.1
D. Poplar.....	8,602	5,075	59.0
E. Mill Creek.....	4,975	3,569	71.7
F. Powelton.....	14,410	9,000	62.5
G. Unaversty.....	4,249	545	12.8
H. Southwest central.....	11,305	9,507	84.1
I. Passyunk Square.....	2,400	86	3.6
J. Southeast central.....	11,095	4,610	41.6
K. Old city.....	1,735	360	20.7
L. Triangle.....	632	34	5.4
M. Eastwick.....	4,509	984	21.8
N. North central.....	4,084	1,339	32.8
O. Fairmount.....	10,237	1,812	17.5
P. Lombard.....	3,520	703	20.0
Q. Rittenhouse-Germantown.....	298	128	43.0
Total.....	107,020	48,841	45.6

Sources: Philadelphia City Planning Commission for Boundaries of Areas; United States Census 1950 for Dwelling Unit Data (Block and Tract Statistics)

The concentration of Negro families in redevelopment areas in general and those where action can be expected in the foreseeable future in particular, is an important point to be considered when questions of slum clearance and relocation are discussed. Inasmuch as Negroes have limited access to the housing market, dislocation of large numbers of Negro families may result in new concentrations in other areas. Unless sufficient suitable housing is provided for dislocated families, redevelopment may result in a decrease in the total

living space available to Negroes or to a further reduction in the quality of their housing.

#### HOW DO PHILADELPHIA'S NEGROES LIVE?

The housing occupied by Negroes is, on the average, of poorer quality than that occupied by whites. A much higher proportion of Negroes than whites live in housing that is substandard on one count or another; housing occupied by Negroes is older than that occupied by whites; a higher proportion of Negroes live in apartments; there are relatively fewer homeowners. However, the lowest rents do not correlate with Negro occupancy, but prevail instead in older areas which are predominantly white. (See figs. 4 to 10.)

The census measurements of housing quality—dilapidation, lack of sanitary facilities, crowding—only record the physical aspects of the individual dwelling unit, and in a crude fashion at that. They give no indication of neighborhood conditions, overcrowding of structures on the land (as distinguished from crowding of people in the dwelling), absence of play areas, narrow, noisy, dangerous streets, and proximity of industrial uses. All these factors affect the quality of housing as much as the soundness of the structure and its equipment. The Philadelphia housing quality survey of 1949 appraised neighborhoods, as well as housing, in certain areas of the city, and by and large, it appears that poor housing and deplorable neighborhood conditions go hand in hand.

While many white families live in inadequate housing, their number is decreasing and the white slum as a mass phenomenon is disappearing; substandard housing occupied by whites is scattered rather than concentrated. As the European immigrants who crowded the older sections of the city 40 years ago moved up the social and economic scale, many of them sought better housing, and the more recent immigrants, Negroes from the South, took their place.<sup>1</sup>

That the Negro in turn will move into better neighborhoods when given the opportunity seems borne out by the current movement into more desirable residential neighborhoods.

The poor quality of housing occupied by Negroes is often attributed to discriminatory practices which result in the concentration of Negroes in the older sections of the city. On the basis of the available statistical data this contention can neither be proved nor disproved. It is impossible to separate the results of discrimination from the results of low incomes. While it is likely that free access to the total housing market would result in improved housing conditions for Negroes, it is certain that their housing problems will not be solved so long as there are not as many decent dwelling units in the city as there are families, white and Negro. As long as the income structure of the white and nonwhite segments of the population differs to the disadvantage of the nonwhites, Negroes are likely to live in poorer housing than whites. An adequate overall supply of good housing is an indispensable prerequisite for the solution of the Negro housing problem, even if there were no discriminatory practices at all.

#### *Crowding and doubling up*

Crowding, as expressed by the number of persons per room (including kitchens but excluding bathrooms), is three times as frequent among Negro households as among white. No less than 22 percent of all nonwhite households were occupied by more than 1 person per room, while only 7.3 percent of the white households lived under similarly overcrowded conditions. (See table 8.) Since 1940, the total number of housing accommodations occupied by more than one person per room has decreased slightly. But, while there were nearly 10,000 fewer white households in crowded housing, the number of Negro households in crowded housing increased by over 7,000. In 1940, Negroes occupied 24 percent of the crowded housing; by 1950 they occupied 38 percent of it. (For the distribution of crowded housing in the city see fig. 5.)

<sup>1</sup> In 1910, 24.8 percent of Philadelphia's population were foreign born and 5.5 percent were nonwhite. By 1950, the foreign born constituted only 11.2 percent of the population, but the nonwhite segment had grown to 18.3 percent.

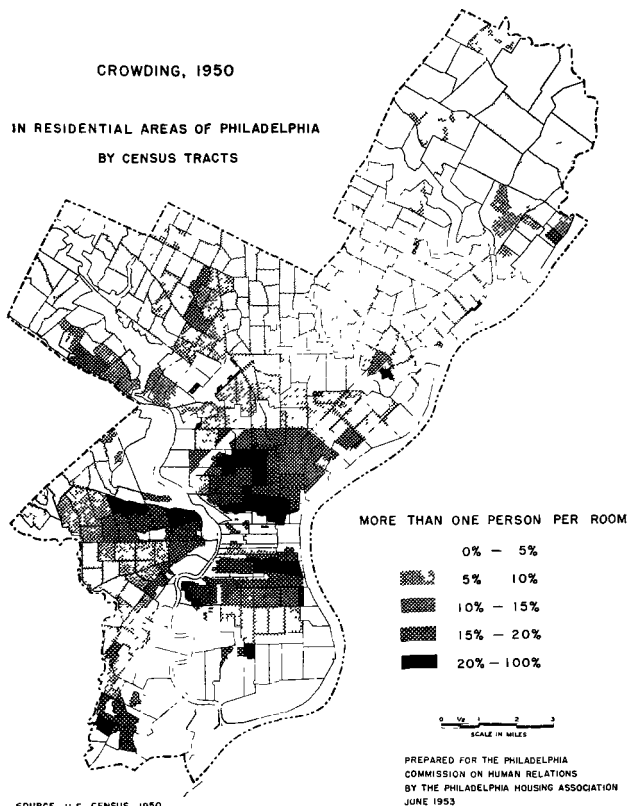
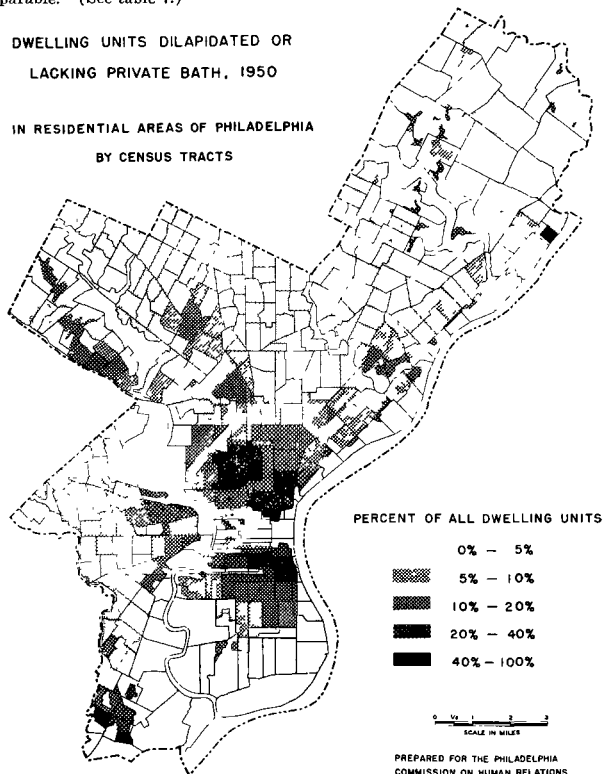


FIGURE 5

Doubling up, that is the sharing of 1 dwelling unit by 2 or more married couples (with or without children), is more frequent among Negroes than among whites, though not to the same degree as room crowding. Fourteen percent of the Negro married couples had no households of their own in 1950, as compared with less than 10 percent of the white married couples. The 1950 situation cannot be compared with conditions in 1940 because the census data are not comparable. (See table 7.)

DWELLING UNITS DILAPIDATED OR  
LACKING PRIVATE BATH, 1950  
IN RESIDENTIAL AREAS OF PHILADELPHIA  
BY CENSUS TRACTS



SOURCE U S CENSUS, 1950

PREPARED FOR THE PHILADELPHIA  
COMMISSION ON HUMAN RELATIONS  
BY THE PHILADELPHIA HOUSING ASSOCIATION  
JUNE 1953

FIGURE 6

TABLE 7—Married couples without own household, by race, Philadelphia, 1950

	Total	White <sup>1</sup>	Nonwhite
Married couples.....	460,420	393,250	67,170
Without own household.....	47,855	38,395	9,460
Percent.....	10.4	9.8	14.1

<sup>1</sup> See footnote 2, table 8.

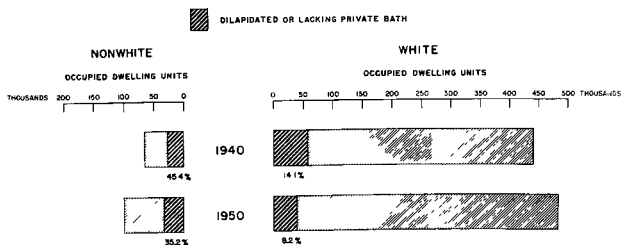
Source United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42.

*Dilapidation and sanitary facilities*

The difference in the quality of housing occupied by white or Negro families is indicated by the fact that the proportion of Negro households in substandard housing (i. e., housing dilapidated or lacking essential sanitary equipment) was more than four times as large as the proportion of white families living under such conditions. Eight times as many Negro households as white, proportionately, lived in housing that was dilapidated;<sup>1</sup> Negro families go without private bath three times as often as do whites (see table 8). For the distribution of substandard housing in the city, see figure 6. While Philadelphia as a whole experienced some improvement in housing during the 1940-50 decade, the housing situation of Negroes worsened if measured in absolute figures. The number of white families living in substandard housing declined from 56,987 in 1940 to 36,642 in 1950, but the number of Negro families living in substandard housing increased from 26,348 in 1940 to 33,471 in 1950.

The 9,941 white families living in dilapidated structures in 1950 are only somewhat more than half the whites in structures needing major repairs in 1940. On the other hand, there are now 15,941 nonwhite families in dilapidated structures, almost 4,000 more than the 12,294 in structures needing major repairs in 1940 (see table 21, in appendix, and fig. 7). It should be noted that the 1940 and 1950 census data on the structural quality of dwelling units are not strictly comparable. The 1950 definition "dilapidated" is more restrictive than the 1940 definition "in need of major repairs." It is, therefore, likely that the seeming improvement in living quality is, at least in part, a result of a changed definition rather than of real improvement.

SUBSTANDARD HOUSING IN PHILADELPHIA 1940 AND 1950



SOURCE U.S. CENSUS

PREPARED FOR THE PHILADELPHIA COMMISSION ON HUMAN RELATIONS  
BY THE PHILADELPHIA HOUSING ASSOCIATION  
JUNE 1953

FIGURE 7

<sup>1</sup> In the definition of the census, a dwelling unit is dilapidated "when it is rundown or neglected, or is of inadequate original construction so that it does not provide adequate shelter or protection against the elements or it endangers the safety of its occupants."

Percentagewise, the housing situation of Negroes improved during the decade. Seventeen percent of the Negro families lived in dilapidated structures in 1950, a decrease from the 21 percent found in structures needing major repairs in 1940. In 1950, 35 percent of the Negro families lived in housing either dilapidated or having no private bath, while the proportion was 45.4 percent in 1940. But the improvement shown by the percentage figures is substantially less for Negroes than for whites. The ratio of whites living in dilapidated structures or having no private bath was cut nearly in half during the decade; the ratio of Negroes living in substandard housing declined too, but only by one-fourth from the 1940 level.

Of the substandard housing 32 percent was occupied by Negroes in 1940; in 1950 the percentage had increased to 46 (see table 21, appendix). The distribution of white and nonwhite families in substandard housing is shown in figure 7.

#### *Homeowners and renters*

Of the 100,685 dwelling units occupied by Negro families in 1950, 29,439 were occupied by owners, and 71,246 by renters. Negro homeowners more than quadrupled during the 1940-50 decade; and in 1950, 3 out of 10 nonwhite families owned their homes compared with only 1 in 10 in 1940. Yet home ownership is still more than twice as often found among whites as among Negroes (see table 8).

The number of Negro renters increased by 21.2 percent during the decade, while the number of white renters decreased by 26 percent. Only 7 out of 10 nonwhite families rented in 1950 compared with 9 in 10 in 1940 (see table 22, appendix). For the distribution of owner-occupied dwelling units in Philadelphia see figure 8. Average rents for the city are shown in figure 9.

TABLE 8.—*Characteristics of dwelling units occupied by white and nonwhite persons, Philadelphia, 1940 and 1950*

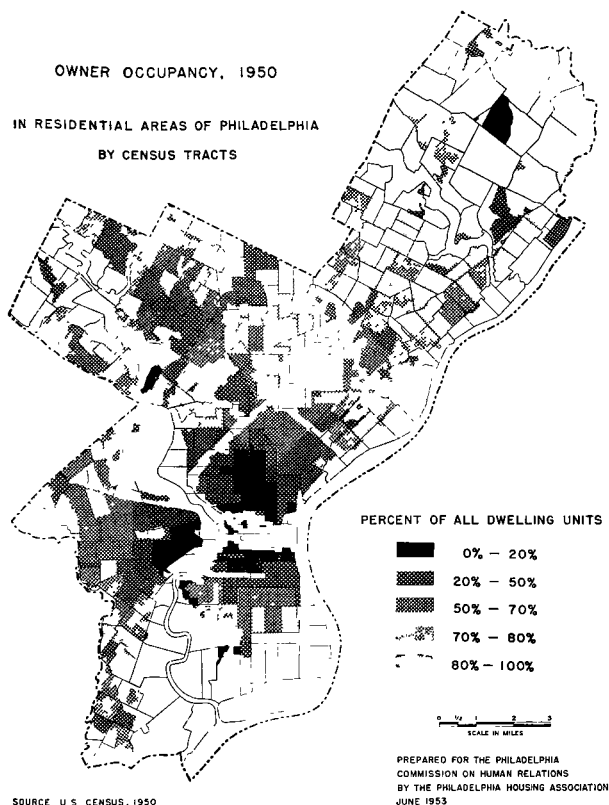
[Percent of dwelling units occupied by white and nonwhite persons having certain characteristics]

Characteristic of dwelling unit	1940		1950 <sup>1</sup>	
	White	Nonwhite	White	Nonwhite
Needing major repairs (1940), dilapidated (1950) <sup>2</sup> .....	4.1	21.2	2.1	16.8
Lacking private bath.....	10.0	24.2	6.1	18.4
Needing major repairs (dilapidated) and/or no private bath.....	14.1	45.4	8.2	35.2
Owner-occupied.....	43.1	10.2	61.7	29.2
More than 1 person per room.....	10.3	22.4	7.3	22.0

<sup>1</sup> The 1950 data in this table are subject to revision. As yet citywide data on housing characteristics are not available by race. However, in the "tract statistics" the characteristics are given for nonwhites for all tracts having more than 250 nonwhite persons. The city totals for dwelling units occupied by nonwhites and having certain characteristics were compiled by adding the data for these tracts. The city totals for dwelling units occupied by whites having the same characteristics were arrived at by subtracting the figure for units occupied by nonwhite from the total occupied units having those characteristics. This introduces an element of error. Actually 99 percent of Philadelphia's nonwhite households are contained in those tracts, but final figures, if and when published by the census, are bound to show slight differences from the figures presented here.

<sup>2</sup> 1940 and 1950 data on condition are not strictly comparable because of change in definition used by the census. The definition "dilapidated" used in 1950 is regarded as less inclusive than the 1940 definition "in need of major repairs."

Source: United States Census 1940, Housing, vol. II, General Characteristics, Pennsylvania, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 38.



**FIGURE 8**

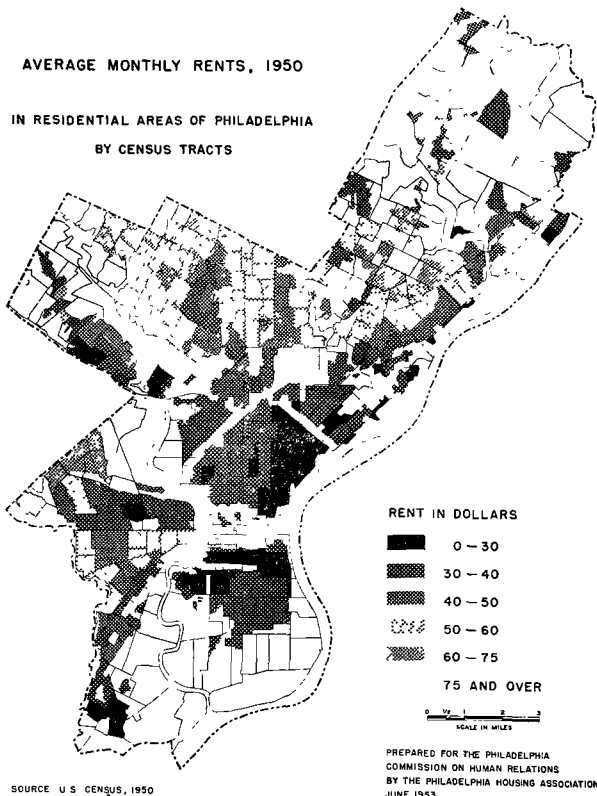


FIGURE 9

## CHANGING NEIGHBORHOODS—TWO EXAMPLES

There exists a widely held belief that the quality of housing deteriorates whenever Negroes move into an area. Observations in some sections of the city seem to substantiate this belief, but in other areas the change from white to Negro occupancy appears to have been accompanied by an improvement in the quality of housing.

Two areas in the city in which Negro households had substantially increased during the 1940-50 decade, were made the object of a more detailed analysis. One is census tract 32A, an overcrowded slum in the Temple redevelopment area; the other is the "Nictown" area, a neighborhood of old but substantially good housing.

More data could be obtained on tract 32A because it is a single census tract. The "Nictown" area, on the other hand, is composed of parts of two census



tracts; this necessitated the use of block statistics which are more limited in scope than tract data.

The analyses show that in the one area (32A) housing quality deteriorated, while in the "Nicetown" area housing quality improved

*Census tract 32A—the story of a deteriorating neighborhood*

This eight-block tract, bounded by Susquehanna Avenue, 11th Street, Montgomery Avenue, and 13th Street, in the backyard of Temple University, is an area of high Negro concentration. Its total population is nearly 10,000 persons.

The houses in the tract were virtually all built before the turn of the century. Exactly 11 new structures have been erected since 1900, 9 between 1900 and 1920, and 2 between 1920 and 1930. But many of the structures, originally intended for one family, have been converted to multifamily occupancy.

The population more than doubled in the last 40 years, from 4,726 in 1910 to 9,751 in 1950. The number of dwelling units doubled in 20 years, from 1,514 in 1930 to 3,059 in 1950, although no new houses were erected during this period.

Today, tenants outnumber owners 10 to 1, while in 1930, more than one-fourth of the dwelling units were owner-occupied.

The change in the character of the area is indicated by the change in the rental structure. In 1930, this was an area of fairly high rents with nearly two-thirds of the tenants paying more than \$30 per month (thus the average rent was in excess of \$30, though the exact amount cannot be determined on the basis of the available data). In 1940, less than one-tenth of the tenants paid rents over \$30, and the average had dropped to \$20.87. In 1950, nearly one-half of all tenants paid over \$30; the average was \$30.15, a 44.5-percent increase over 1940. However, due to the increase in the number of rental dwellings (with no corresponding decrease in the number of owner-occupied units), and, probably because of frequent violations of rent ceilings, the annual take increased from \$524,171 in 1940 to \$962,750 in 1950, or by 83.7 percent.<sup>1</sup>

Crowding, as measured by the number of persons per room, has increased substantially during the last decade. In 1940, there were 571 dwelling units, or 1 in 4, that had more than 1 person per room. By 1950, this figure had increased to 1,024, or more than 1 in 3 (the citywide figure is 1 in 10).

Housing quality is poor. Nearly three-quarters of all occupied units are either dilapidated or lack essential sanitary equipment. The census reported 1,743 substandard dwellings in 1940; by 1950 the figure had increased by 379 to 2,122. It is likely that most of the 403 dwelling units added during the decade lacked essential facilities. At any rate, the fact that the figures for additional dwelling units (403) and additional substandard units (379) are very close, points in that direction.

Incomes in the area are low. The median of \$1,653<sup>2</sup> reported for 1949 for the area compares with a median of \$2,869 for the city. Nearly three-quarters of the reported incomes are under \$2,500, and 86.4 percent are under \$3,000.

The area is almost exclusively inhabited by Negroes. Twenty years ago, the majority of the population was white (56.8 percent). By 1940, the white segment had declined to 37.7 percent; by 1950, there were only 260 white persons left, or 2.7 percent.

TABLE 9—Population and housing data for census tract 32A—Philadelphia: Selected years

[Boundaries: Susquehanna Ave., 11th St., Montgomery Ave., 13th St.]

A POPULATION BY RACE 1910-50

Year	Total	White		Nonwhite	
		Number	Percent	Number	Percent
1910.....	4,726	(1)	(1)	(1)	(1)
1920.....	(1)	(1)	(1)	(1)	(1)
1930.....	5,944	3,376	56.8	2,568	43.2
1940.....	7,437	2,802	37.7	4,635	62.3
1950.....	9,571	260	2.7	9,311	97.3

<sup>1</sup> Not available.

<sup>2</sup> The rent take from the area was calculated by multiplying the average monthly rent by 12 and by the number of tenant-occupied dwelling units.

<sup>3</sup> This figure pertains to "families and unrelated individuals" and represents income before taxes.

TABLE 9—Population and housing data for census tract 32A—Philadelphia: Selected years—Continued

## B. SELECTED HOUSING CHARACTERISTICS: 1930-50

	1930 (number)	1940		1950	
		Number	Percent	Number	Percent
All dwelling units.....	1,514	2,656	100	3,059	100
Occupied.....	1,365	2,315	87.2	2,950	96.4
Vacant.....	149	341	12.8	109	3.6
Occupied dwelling units.....	1,365	2,315	100	2,950	100
Occupied by white.....	(1)	987	42.6	114	3.9
Occupied by nonwhite.....	(1)	1,328	57.4	2,836	96.1
Owner occupied.....	386	222	100	289	100
White owners.....	(1)	130	58.6	28	9.7
Nonwhite owners.....	(1)	92	41.4	261	90.3
Tenant occupied.....	979	2,093	100	2,661	100
White tenants.....	(1)	857	41.0	86	3.2
Nonwhite tenants.....	(1)	1,236	59.0	2,575	96.8
More than one person per room.....	(1)	571	100	1,024	100
Occupied by white.....	(1)	368	64.4	15	1.5
Occupied by nonwhite.....	(1)	203	35.6	1,009	98.5
Dilapidated or no private bath <sup>2</sup> .....	(1)	1,743	100	2,122	100
Occupied by white.....	(1)	(1)	(1)	(1)	(1)
Occupied by nonwhite.....	(1)	864	49.6	1,993	93.9

## C. RENT RANGES OF TENANT-OCCUPIED DWELLING UNITS 1930-50

Monthly rent	1930		1940		1950	
	Number	Percent	Number	Percent	Number	Percent
Under \$10.....			34	1.6	1	(3)
\$10 to \$20.....	33	3.6	635	30.4	126	4.8
\$20 to \$30.....	297	31.8	1,236	59.2	1,245	47.2
\$30 to \$40.....	471	50.5	159	7.6	919	34.9
\$40 to \$50.....			14	.7	259	9.8
\$50 to \$75.....	115	12.3	9	.4	78	3.0
\$75 and over.....	17	1.8	3	1	7	.3
Total reporting.....	933	100.0	2,093	100.0	2,635	100.0
Not reporting.....	46		3		26	
Total.....	979		2,093		2,661	
Average monthly rent.....	(1)		\$20.87		\$30.15	

## D. INCOMES OF FAMILIES AND UNRELATED INDIVIDUALS, 1949

Incomes	Families and individuals	
	Number	Percent
Less than \$500.....	620	17.4
\$500 to \$1,000.....	510	14.4
\$1,000 to \$1,500.....	495	14.0
\$1,500 to \$2,000.....	490	13.8
\$2,000 to \$2,500.....	485	13.7
\$2,500 to \$3,000.....	470	13.2
\$3,000 to \$3,500.....	200	5.6
\$3,500 to \$4,000.....	120	3.4
\$4,000 to \$5,000.....	85	2.4
\$5,000 and over.....	75	2.1
Reporting income.....	3,550	100.0
Not reporting income.....	170	
Total.....	3,720	
Median income, \$1,653.		

<sup>1</sup> Not available.<sup>2</sup> 1940 in need of major repairs or no private bath.<sup>3</sup> Less than 0.05 percent

Sources: For 1940 and 1950 United States Census, Statistics for Census Tracts, for 1910 and 1930 (prior to publication of tract data by the census) photostatic copies of tract and enumeration district sheets prepared by the Census Bureau and owned by the Philadelphia Housing Association

THE NICETOWN AREA, A NEIGHBORHOOD ON THE UPGRADE

In this triangular area, bounded by Erie, Germantown, and Hunting Park Avenues, Negro households increased substantially during the last census decade. To all appearances, if not all statistics, the area which was predominantly white in 1940 has become a Negro area. It is separated from the North-Central Philadelphia area of Negro concentration (see p. 6) by a strip between Erie and Lehigh Avenues, where the population is almost entirely white, though the transition is now extending southward from Erie Avenue.

The number of households in the area increased from 1,864 in 1940 to 1,898 in 1950, or 2 percent. Negro households increased from 357 in 1940 to 1,004 in 1950, or 181 percent. Thus, Negro households, less than a fifth in 1940, were in the majority in 1950. In the 3 years since the census, it appears there has been a further increase in the number of nonwhite households.

In 1950, homeowners, 1,153, exceeded tenants, whereas in 1940 there had been more tenants, 1,114, than owners. The increase in homeownership was 54 percent.

The ratio of substandard housing in 1940 was 329 out of 1,864 dwelling units, or 17.7 percent, about the same ratio as prevailed in the entire city. By 1950, substandard housing had been reduced to 142, or 7.5 percent, less than half the 1940 figure, and considerably below the citywide figure of 12.4 percent.

TABLE 10—Housing characteristics of the Nicetown area, Philadelphia: 1940 and 1950

[Boundaries: Erie, Germantown, and Hunting Park Aves.]

	1940		1950		Change	
	Number	Percent	Number	Percent	Number	Percent
Occupied dwelling units.....	1,864	100	1,898	100	+34	+1.8
Owner-occupied.....	750	40.2	1,153	60.7	+403	+53.7
Tenant-occupied.....	1,114	59.8	745	39.3	-369	-33.1
Occupied by white.....	1,507	80.8	894	47.1	-613	-40.7
Occupied by nonwhite.....	357	19.2	1,004	52.9	+647	+181.2
Dilapidated <sup>1</sup> or no private bath.....	329	17.7	142	7.5	-187	-56.8

<sup>1</sup> 1940 in need of major repairs.

Source: United States Census, 1940, Housing, Supplement to the 1st Series, Philadelphia, Block Statistics; United States Census of Housing 1950, vol. V, Block Statistics, pt. 143. The table was computed by adding the figures for each block in the area.

NEGROES IN THE PHILADELPHIA METROPOLITAN AREA

The Negro population in the 8-county Philadelphia standard metropolitan area—that is, Philadelphia plus Delaware, Montgomery, Bucks, and Chester Counties in Pennsylvania, and Burlington, Camden, and Gloucester Counties in New Jersey—constituted 13.2 percent of the total population in 1950. In 1940, the ratio was 10.5 percent.

The Negro population in the area grew from 336,843 in 1940 to 484,644 in 1950, or 43.9 percent. This compares with a growth in the white population from 2,862,794 in 1940 to 3,186,404 in 1950, or 11.3 percent. (See table 11.)

In 1950, nearly four-fifths (78.2 percent) of the area's Negro population lived in Philadelphia, and slightly more than one-fifth (21.8 percent) lived in the suburban counties. The white population, in contrast, was much more evenly divided between city and suburbs, with 53 percent living in the city and 47 percent in the suburbs.

Of the area's total population increase of 471,411 persons during the decade, 30 percent took place in the city, and 70 percent in the suburban counties. Of the increase in the Negro population, however, 85 percent occurred in the city, and only 15 percent in the outlying sections: the white increase was predominantly (96 percent) in the suburbs, and only 4 percent in the city. (See tables 32 to 37, appendix.)

The ratio of Negroes in the city increased from 13.1 percent in 1940 to 18.3 percent in 1950. In the 7 suburban counties, the ratio of Negroes remained the same, 6.6 percent. (See table 11.)

In the 3 major cities, Philadelphia, Camden and Chester, the Negro population grew from 275,481 to 410,416, or from 13.1 percent in 1940 to 18.1 percent in 1950. In the rest of the area there was a numerical increase in the Negro population from 61,362 to 74,228, but a decline in the ratio from 5.6 percent to 5.3 percent. (See table 12.) In other words, the Negro population increase was concentrated in the urban parts of the area.

TABLE 11.—Population by race, inside and outside Philadelphia, Philadelphia standard metropolitan area: 1940 and 1950

[Philadelphia standard metropolitan area]

	Total	White		Nonwhite	
		Number	Percent	Number	Percent
1940.....	3,199,637	2,862,794	89.5	336,843	10.5
1950.....	3,671,048	3,186,404	86.8	484,644	13.2
Increase.....	471,411	323,610	-----	147,801	-----
Percent increase.....	14.7	11.3	-----	43.9	-----
<b>Philadelphia:</b>					
1940.....	1,931,334	1,678,577	86.9	252,757	13.1
1950.....	2,071,605	1,692,637	81.7	378,968	18.3
Increase.....	140,271	14,060	-----	126,211	-----
Percent increase.....	7.3	8	-----	49.9	-----
<b>7-county area, outside Philadelphia</b>					
1940.....	1,268,303	1,184,217	93.4	84,086	6.6
1950.....	1,599,443	1,493,767	93.4	105,676	6.6
Increase.....	331,140	309,550	-----	21,590	-----
Percent increase.....	26.1	26.1	-----	25.7	-----

Source: United States Census of Population, 1950, Advance Reports, series PC-9, No. 6 and series PC-14, No. 1

TABLE 12.—Population by race, in urban centers and balance of area, Philadelphia standard metropolitan area: 1940 and 1950

	1940		1950	
	Number	Percent	Number	Percent
<b>Philadelphia standard metropolitan area</b>				
Total.....	3,199,637	100	3,671,048	100
White.....	2,862,794	89.5	3,186,404	86.8
Nonwhite.....	336,843	10.5	484,644	13.2
<b>Philadelphia, Camden, and Chester, cities of:</b>				
Total.....	2,108,155	100	2,262,199	100
White.....	1,832,674	86.9	1,851,783	81.9
Nonwhite.....	275,481	13.1	410,416	18.1
<b>Balance of area:</b>				
Total.....	1,091,482	100	1,408,849	100
White.....	1,030,120	94.4	1,334,621	94.7
Nonwhite.....	61,362	5.6	74,228	5.3

Source: United States Census of Population, 1950, Advance Reports, series PC-14, No. 1.

### The seven counties

The Negro population of all 7 outlying counties increased during the decade between 1940 and 1950. In terms of population ratios, however, only the three New Jersey counties experienced an increase. In Bucks County, the ratio remained the same, while in the three remaining Pennsylvania counties, Chester, Delaware, and Montgomery, there was a decrease in the ratio of Negro population. (See tables 2 and 24, appendix.)

The number of dwelling units occupied by Negroes increased in all 7 counties, but the ratio of dwelling units occupied by Negroes decreased in 5 counties. The ratio remained unchanged in Camden County and in Bucks County, which had the lowest of all. (See table 13.)

TABLE 13—*Dwelling units occupied by nonwhite persons, by counties, Philadelphia standard metropolitan area: 1940 and 1950*

County	1940			1950			Increase in dwelling units occupied by nonwhite
	Occupied dwelling units	Occupied by nonwhites		Occupied dwelling units	Occupied by nonwhites		
		Number	Percent		Number	Percent	
Philadelphia.....	506,980	65,492	12.9	584,698	100,685	17.2	35,103
Bucks.....	28,112	424	1.5	40,714	609	1.5	185
Chester.....	33,046	3,013	9.1	40,386	3,098	7.7	85
Delaware.....	80,057	4,994	6.2	114,002	6,761	5.9	1,767
Montgomery.....	71,142	2,353	3.3	93,971	2,613	2.8	260
Burlington.....	24,785	1,555	6.3	32,913	1,794	5.5	239
Camden.....	67,480	4,485	6.6	84,743	5,582	6.6	1,097
Gloucester.....	19,429	1,644	8.5	26,302	2,137	8.1	493
Total.....	831,031	83,960	10.1	1,017,729	123,279	12.1	39,319

Source: United States Census, 1940, Housing, 1st series, Data for Small Areas, Pennsylvania; United States Census of Housing, 1950, vol. I, General Characteristics, chs. 30 and 38.

The ratios of Negro-occupied dwelling units to total occupied units are lower than the ratios of Negro population to total population for the metropolitan area as well as for each of the seven counties. (See table 14.) This would appear to indicate that there are more persons on the average in Negro households than in white, although the proof depends on factors that cannot be isolated in the presently available material. The average Negro family may be larger than the average white family; the proportion of persons living in institutions may be higher among Negroes than among whites; there may be more doubling-up; and the practice of taking roomers and boarders may be found more frequently in Negro than in white households. Also, resident domestic servants appear under the population heading, but do not appear in the dwelling unit column unless they occupy a separate dwelling unit.

TABLE 14.—*Percent nonwhite population and nonwhite households, by counties, Philadelphia standard metropolitan area: 1940 and 1950*

County	Population		Households <sup>1</sup>		County	Population		Households <sup>1</sup>	
	1940	1950	1940	1950		1940	1950	1940	1950
Philadelphia.....	13.1	18.3	12.9	17.2	Burlington.....	7.1	7.6	6.3	5.5
Bucks.....	1.8	1.8	1.5	1.5	Camden.....	7.2	8.1	6.6	6.6
Chester.....	9.6	9.5	9.1	7.7	Gloucester.....	9.4	9.5	8.5	8.1
Delaware.....	7.4	7.1	6.2	5.9	Total.....	10.5	13.2	10.1	12.1
Montgomery.....	5.0	4.3	3.3	2.8					

<sup>1</sup> Percent of occupied dwelling units

Source: United States Census, 1940, Population, 2d series, Characteristics of the Population, Pennsylvania and New Jersey; United States Census of Population, 1950, vol. II, Characteristics of the Population, pts. 30 and 38, ch. B; United States Census, 1940, Housing, 1st series, Data for Small Areas, Pennsylvania and New Jersey; United States Census of Housing, 1950, vol. I, General Characteristics, chs. 30 and 38.

**Bucks County**

Bucks County has the lowest proportion of nonwhite households of any of the counties in the Philadelphia metropolitan area. Of the 40,714 occupied dwelling units only 609, or 1.5 percent, were occupied by Negroes in 1950. This is the same ratio as prevailed in 1940, when 424 of a total 28,112 occupied dwelling units were occupied by nonwhites.

The Negro households are predominantly located in four municipalities: Bensalem, Bristol Borough, Bristol Township, and Falls Township. More than

one-half (54.1 percent) of the county's Negro households were located in these communities which contained only one-fourth of the total dwelling units in the county.

The proportion of dwelling units occupied by Negroes in these 4 municipalities increased from 2.0 percent in 1940 to 2.9 percent in 1950; in the other 50 municipalities in the county the ratio dropped from 1.2 percent to 0.9 percent during the census decade. The largest number, 117, as well as the highest ratio of nonwhite households, 11.8, and the largest numerical increase over 1940, 99, was found in Falls Township. It is likely, however, that the majority of the households reported for 1950 are migratory workers. The 1940 census reported only 18 nonwhite households in Falus Township and there is no evidence of comparatively large numbers of nonwhite families having settled permanently in the township. The next largest number of Negro households, 75, was found in Bristol Borough with the same number of dwellings in 1950 as in 1940.

In 18 of the county's 54 municipalities there were no Negro households at all, in 20 others the ratio was less than 1 percent. (See table 25, appendix.)

Recent residential expansion in Bucks County, particularly the construction of Levittown and Fairless Hills, is likely to have further decreased the ratio of Negro households in the county.

#### *Chester County*

Chester County has the highest percentage of Negro residents of the four Pennsylvania counties. There were 3,098 nonwhite households in 1950 as compared with 3,013 in 1940, an increase of 85, or 2.8 percent.

In 1950, the ratio of nonwhite households to all households was 7.7 percent, whereas the 1940 figure was 9.1 percent.

Most of the Negro households were located in 6 municipalities: Coatesville, Kennett Square, South Coatesville, Tredyffrin Township, Valley Township, and West Chester. More than half (58 percent) of the county's Negro households were located in these municipalities which contained slightly more than one-fourth of the total dwelling units in the county.

The proportion of dwelling units occupied by Negro families in the 6 municipalities decreased from 15.4 percent in 1940, to 14.6 percent in 1950, in the other 67 municipalities the proportion decreased from 5.7 percent in 1940 to 4.4 percent in 1950.

Negro households in the 6 municipalities increased by 8.4 percent during the 1940-50 decade, in the other 67 municipalities they decreased by 4 percent.

Negro occupancy increased in 25 municipalities, decreased in 36 municipalities, and stayed the same in 12 municipalities. (See table 26, appendix.)

#### *Delaware County*

The number of Negro households in Delaware County in 1950 was 6,761, an increase of 1,767, or 35.4 percent over 1940. However, the proportion of nonwhite households in the county decreased slightly during the decade from 6.2 percent in 1940 to 5.9 percent in 1950.

More than half of the dwelling units occupied by Negroes, 3,428, were in the city of Chester; they constituted 19 percent of all Chester households in 1950. Five other municipalities, Chester Township, Darby Borough, Darby Township, Yeadon, and Upper Chichester, accounted for another 30 percent of the Negro households. In contrast, the remaining 43 municipalities with 75.7 percent of all households accounted for less than one-fifth of the nonwhite households.

In the 6 municipalities, Negro households increased by 51.1 percent; in the other 43 municipalities, they decreased by 6.3 percent.

The proportion of Negro households in the 6 municipalities increased from 15.9 percent in 1940 to 19.2 percent in 1950; in the other 43 municipalities, the proportion decreased from 2.3 percent in 1940 to 1.5 percent in 1950.

Although the overall increase in Negro households in the county was 35.4 percent during the 1940-50 decade, no less than 17 municipalities lost Negro households, and in 12 the number remained unchanged. Eight municipalities had no nonwhite households at all, and in 11 municipalities the proportion of nonwhite households was less than 1 percent. The latter included the largest municipality, Upper Darby Township, where only 42 of the 25,889 dwelling units were occupied by Negro families.

The proportion of nonwhite households was as high as 74 percent in Darby Township; it was 66 percent in Chester Township, and 46 percent in Morton. (See table 27, appendix.)

*Montgomery County*

There were 2,613 Negro households in Montgomery County in 1950 compared with 2,353 in 1940, an increase of 260, or 11 percent. However, the proportion of Negro households decreased from 3.3 percent in 1940 to 2.8 percent in 1950. Most municipalities lost, percentagewise, Negro households from 1940 to 1950. But eight municipalities had a significant number of Negro households. Abington, Ambler, Cheltenham, Lower Gwynedd, Lower Merion, Norristown, Pottstown and Upper Dublin contained 79 percent of the county's Negro households, but slightly less than one-half of all dwelling units. In contrast, the remaining 53 municipalities, containing slightly more than half of all dwelling units, accounted for only 21 percent of the nonwhite households.

In the eight municipalities the number of Negro households increased by 9.7 percent over 1940, compared with a 16.2 percent increase in the other municipalities. The ratio of Negro households in the 8 municipalities decreased from 4.9 percent in 1940 to 4.4 percent in 1950. In the remaining 53 municipalities the ratio of Negro households declined from 1.3 to 1.1 percent.

Although the county's overall percentage of dwelling units occupied by Negroes decreased, 26 municipalities gained Negro households, 21 lost Negro households, and in 15 municipalities the number remained the same. Nowhere was there a substantial gain in Negro households. Abington gained 42 Negro households, Pottstown 41, and Lower Merion Township 39; all other gains are less. Nor was there anywhere a large concentration of nonwhite households. Lower Gwynedd Township had the highest ratio of nonwhite households, 14.9 percent, followed by Upper Dublin and Ambler with 10.3 and 8.7 percent respectively. Norristown had the largest number of Negro households, 516 (See table 28, appendix.)

*Burlington County*

The 1950 census reported 1,794 nonwhite households in Burlington County. This represents an increase of 239, or 15.4 percent, over the 1940 figure of 1,555. The ratio of Negro households decreased, however, from 6.3 percent to 5.5 percent.

The majority of nonwhite households were located in six municipalities: Bordentown City, Burlington City, Cinnaminson, Moorestown, Mount Holly, and Palmyra.

The six municipalities contained one-third of the total dwelling units and two-thirds of the dwelling units occupied by nonwhite families.

Nonwhite households increased in 22 municipalities, decreased in 14, and remained the same in four municipalities.

In the six municipalities the numerical increase in nonwhite households was 18.6 percent over 1940, while in the other 34 municipalities the increase was 10.2 percent. (See table 29, appendix.)

The proportion of nonwhite households in the 6 municipalities, however, decreased from 9.2 percent in 1940 to 8.8 percent in 1950; in the 34 other municipalities the ratio dropped from 3.5 to 2.8 percent.

Cinnaminson continued as the municipality with the highest percentage of nonwhite households, 21 percent. Burlington City was the municipality with the highest number of nonwhite households, 405.

*Camden County*

Negro households in Camden County in 1950 numbered 5,582, an increase of 1,097, or 24.5 percent, over the 1940 figure of 4,485. The ratio of nonwhite households, 6.6 percent, was the same as in 1940.

Three-fourths of the Camden County Negro households were in the city of Camden, which has 40 percent of all dwelling units; another 20 percent were in 5 other municipalities: Pennsauken, Delaware, Lawnside, Berlin Township and Winslow. The remaining 30 municipalities accounted for approximately 5 percent of the county's nonwhite households. Nine-tenths of the increase in Negro households was absorbed by the city of Camden. Eleven other municipalities gained nonwhite households, in 13 municipalities the number of nonwhite households declined, while in the remaining nine there was no change in the number of nonwhite households. Five of the latter had no Negro households either in 1940 or in 1950.

The highest ratio of Negro households was in Lawnside, whose 360 nonwhite households constituted 90 percent of the total in the borough; in Chesilhurst 29 percent of the households were Negro, in Berlin Township 23 percent, Magnolia

13 percent, and in Camden 12 percent. Nine municipalities had no nonwhite households, and in 13 municipalities the ratio was less than 1 percent.

The ratio of Negro households in the city of Camden increased from 10.1 percent in 1940 to 11.7 percent in 1950; in the remainder of the county the ratio declined from 3.3 percent to 2.7 percent during the decade. (See Table 30, appendix.)

#### *Gloucester County*

The number of Negro households in Gloucester County totaled 2,137 in 1950, an increase of 493 dwelling units, or 30 percent, over the 1940 figure of 1,644. The proportion of nonwhite households in the county, however, decreased slightly from 8.5 to 8.1.

The nonwhite households were concentrated in one-third of the municipalities in the county: Deptford, Elk Township, Glassboro, Monroe Township, Paulsboro, Swedesboro, Woodbury, and Woolwich Township. In these eight municipalities, which contain less than one half of the county's households, more than three-fourths (76.7 percent) of the county's nonwhite households are located. Dwelling units occupied by nonwhites in these eight municipalities increased by 30.4 percent during the 1940 to 1950 decade, compared with a percentage increase of 28.8 percent in the other 16 municipalities.

In spite of this increase, dwelling units occupied by Negroes in the eight municipalities represented a small proportion of all households in 1950 (12.2) than in 1940 (12.9). In the other 16 municipalities, the ratio of nonwhite households remained virtually unchanged.

The countywide increase of nonwhite households was spread fairly evenly throughout the county, with 16 municipalities gaining, 4 losing, and 4 remaining the same.

Woolwich and Elk Townships have the highest ratio of nonwhite households though the total, numerically, was not large. (See table 31, appendix.)

#### THE NONWHITE POPULATION IN 18 METROPOLITAN AREAS

A survey of the population increases by race in the country's 18 largest cities (those with populations over 500,000) and their metropolitan areas reveals the following developments during the 1940-50 decade:

1. In all cities except one (Houston), the percentage of population increase is higher for the nonwhite than for the white population.

2. The white population decreased in 5 cities and increased less than 10 percent in 9 cities, while the increases in the nonwhite population ranged from 22 percent in New Orleans to 155.9 percent in San Francisco.

3. When the entire population growth for 18 standard metropolitan areas is considered (the cities and their suburbs), the increase in the white population took place predominantly in the suburbs, the increase in the nonwhite population predominantly in the cities. As a matter of fact the ratios of increase for the two segments of the population are exactly reversed: 82.7 percent of the white increase occurred in the suburbs, and 17.3 percent in the central cities. Of the nonwhite increase 82.7 percent occurred in the cities, and 17.3 percent in the suburbs.

4. The total population gain for the 18 standard metropolitan areas was 7,721,134. Of this total gain, 76.8 percent was white and 23.2 percent nonwhite. However, of the total population gain inside the cities, 2,509,424, only 41 percent was white, and 59 percent nonwhite. In contrast, of the total gain in the suburbs, 5,211,710, 94 percent was white and 6 percent nonwhite.

5. Considering all 18 standard metropolitan areas together, the ratio of nonwhite population in the total population is increasing inside the cities and decreasing in the suburbs.

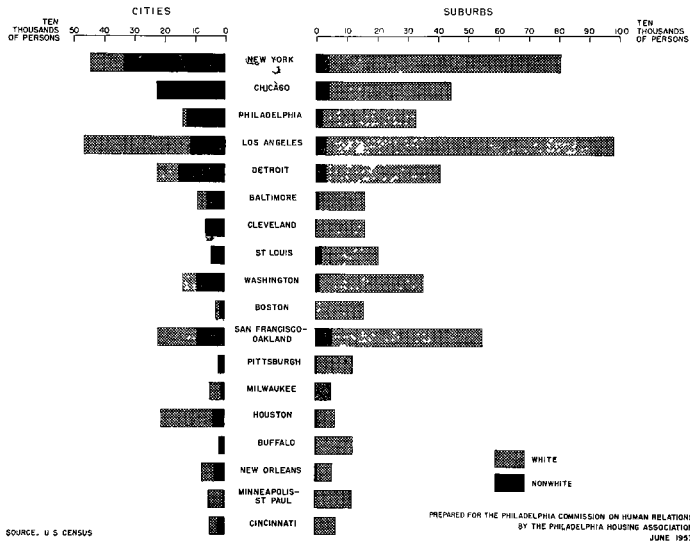
The reason for the nationwide trend toward increased ratios of nonwhite population in the center cities is undoubtedly related to the general unavailability of new housing for nonwhite occupancy. More new housing is being built in suburbs than in the cities themselves. Very little of it is available to nonwhite occupants, renters or owners. Additional housing is becoming available to nonwhites in the cities as white families move out of some older areas and as existing structures are converted to multifamily use.

The 1940 and 1950 figures on the white and the nonwhite population for the country's 18 largest cities are given in table 15. The population data for the 18 standard metropolitan areas, their component parts, and the figures on population growth by race are given in tables 32 to 37, appendix.



# WHITE AND NONWHITE POPULATION GROWTH 1940 to 1950

## IN MAJOR STANDARD METROPOLITAN AREAS



SOURCE. U. S. CENSUS

PREPARED FOR THE PHILADELPHIA COMMISSION ON HUMAN RELATIONS  
BY THE PHILADELPHIA HOUSING ASSOCIATION  
JUNE 1953

Figure 10

TABLE 15.—Population of cities of 500,000 or more,<sup>1</sup> by race, 1940 and 1950

City	Total population			White			Nonwhite		
	1940	1950	Percent increase	1940	1950	Percent increase	1940	1950	Percent increase
New York.....	7,454,995	7,891,957	5.9	6,977,501	7,116,428	2.0	477,494	775,529	62.4
Chicago.....	3,396,808	3,620,962	6.6	3,114,564	3,111,525	-0.1	282,244	509,437	80.5
Philadelphia.....	1,931,334	2,071,605	7.3	1,678,577	1,692,637	0.8	252,757	378,968	49.9
Los Angeles.....	1,504,277	1,970,358	31.0	1,406,430	1,758,773	25.1	97,847	211,585	116.2
Detroit.....	1,623,452	1,849,568	13.9	1,472,662	1,545,847	5.0	150,790	303,721	101.4
Baltimore.....	859,100	949,708	10.5	692,705	723,655	4.5	166,395	226,053	35.9
Cleveland.....	878,336	914,808	4.2	793,417	765,261	-3.5	84,919	149,547	76.1
St. Louis.....	816,048	856,798	5.0	706,794	702,348	-0.6	109,254	154,448	41.4
Washington.....	663,091	802,178	21.0	474,326	518,147	9.2	188,765	284,031	50.5
Boston.....	770,816	801,444	4.0	745,466	758,700	1.8	25,350	42,744	68.6
San Francisco.....	734,536	775,357	22.2	602,701	693,888	15.1	31,835	81,469	155.9
Pittsburgh.....	671,659	676,806	0.8	609,236	593,823	-2.5	62,423	82,983	32.9
Milwaukee.....	587,472	637,392	8.5	578,177	614,050	6.3	9,295	22,742	144.7
Houston.....	384,514	596,163	55.0	297,959	470,503	57.9	86,555	125,660	45.2
Buffalo.....	575,961	580,132	0.7	557,618	542,432	-2.7	18,283	37,700	106.2
New Orleans.....	494,537	570,445	15.3	344,775	387,763	12.5	149,762	182,682	22.0
Minneapolis.....	492,370	521,718	6.0	487,099	513,250	5.4	5,271	8,468	60.7
Cincinnati.....	455,610	503,998	10.6	399,853	425,313	6.4	55,757	78,685	41.1

<sup>1</sup> The cities are listed in the order of their 1950 population

Source: United States Census of Population, 1950, Advance Reports, Series PC-9, No. 6, and Series PC-14, No. 1

## SURVEY OF NEW PRIVATE HOUSING AVAILABLE FOR NEGRO OCCUPANCY IN THE PHILADELPHIA AREA

A survey was made of the new private housing built in the Philadelphia standard metropolitan area since 1946 and available to Negro occupants.

The list of new developments was based on data furnished on request by the regional race relations officer of the Federal Housing Administration, and the records of the Philadelphia Housing Association. It is believed to be complete for housing built inside Philadelphia, and to cover substantially all housing in the metropolitan area outside the city. It is possible that a small number of additional units were built in the outlying areas under contract or by the owners themselves, but it is unlikely that any sizable development was overlooked.

Table 16 presents a summary of the findings of a field survey of the new housing available to Negroes. The table was submitted for checking to the regional race relations officer of the Federal Housing Administration, who agreed with the findings.

New private housing available to Negroes totaled 1,044 dwelling units, while the total private construction volume was in excess of 140,000 units.

Of the 1,044 units available for Negro occupancy, 647 units are in developments rented or sold solely to Negroes; 397 are in 2 developments, with mixed occupancy (see table 16); 578 units are in Philadelphia and 466 in the suburbs.

Of the 1,044 units, 600 were for rent, 347 were for sale, and 97 were built for cooperative ownership.

Nearly all new private housing available to Negroes is of small size. Only 61 units have 3 bedrooms, 4 units have 4 bedrooms.

Of the 600 rental units, 48 consist of 2 rooms ("efficiency" apartments), 246 have 3 rooms (1 bedroom) and 300 have 4 rooms (2 bedrooms); 6 units are occupied by janitors and the size is unknown.

The rental units are evenly divided between elevator apartments, and 2- and 3-story walkups. The Flamingo Apartments account for the 300 elevator apartments, of the units in low structures, 164 are called row houses by their occupants, because the bedrooms are above the living-kitchen area; 136 are walkup apartments.

Of the 347 sales units, 207 were constructed in 1 development, Lincoln Park, which is in Darby Township, Delaware County; 58 are located in Chester, 45 in Philadelphia, and 37 in New Jersey.

The 207-unit Lincoln Park development consists of 1-story row houses of the "economy" type with 648 square feet of floor space (the average Philadelphia row house has 1,100 square feet of floor space).

The 45 sales units built in Philadelphia are all of the 2-story row-house type. Twenty-two units were not completed at the time of the survey.

New Jersey provided the only new detached houses available to Negroes.

Most of the new private housing available to Negroes is located in neighborhoods undesirable on one count or another. The adverse conditions include proximity to old and dilapidated housing, main rail lines, heavy traffic, commercial and industrial uses, including junkyards; in other cases proper access roads are lacking. Any, several, or all of these are encountered in the vicinity of virtually all developments.

In contrast, in nearly all the developments access to community facilities, schools, churches, shopping, and transportation is satisfactory.

Comments of the tenants and owners are given here to highlight some problems which appear of significance.

Tenants in the 84-unit Flower Manor in Chester complain about poor insulation, heavy traffic and high rents. While rents range from \$62.50 to \$65 for 2-bedroom units without any utilities, the tenants estimate their actual housing expenditure, including heat, hot water, gas, and electricity at \$90 per month. Some of the tenants in Flower Manor were former occupants of a nearby public housing project who were obliged to move when they became "over-income" for the project. They regard Flower Manor as less desirable housing in spite of the higher rent. Several said they would move out immediately if there were any alternative.

Owners of the 23 Glenfer homes in West Philadelphia, are conscious of the fact that their houses are virtually the only new houses available to Negroes in Philadelphia. This has meant the advantages of better financing terms. Built in 1946 and priced at less than \$7,000, the houses were, for the most part, financed under Veterans' Administration guaranties; downpayments were in the

neighborhood of \$400, and amortization was long term. Old housing, in contrast, can rarely be bought with downpayments of less than a third of the purchase price, and shorter amortization periods result in higher monthly carrying charges.

Owners of the 58 Chester homes, the only new for-sale housing available to Negroes in Chester, complain about the noise from the railroad, particularly the penetrating whistle of the engines. The residents of Lincoln Park express disappointment that the promised shopping center has not been built. They complain about crowding in the elementary and junior high schools, both described as outmoded, lack of sidewalks, and inadequate street lighting.

The survey results would appear to justify the statement that by and large the prices and rents charged for new housing available to Negroes are about the same as prices charged for similar accommodations sold or rented to white families. However, a truly valid comparison would have to be based on comparable houses in comparable locations, and few new housing developments for whites are being built in old neighborhoods or adjacent to industry or railroads.

The survey does not permit any conclusion as to the size and type of the Negro market for new housing. All for-sale houses were readily sold and rental housing shows virtually no vacancies. But the total quantity is small, and the quality is untypical of the housing market in general.

More than 20,000 Negro families in Philadelphia bought secondhand houses during the last 10 years under the more demanding financial terms customary for used housing. It would appear, therefore, that a considerable number of Negro families would be able to buy new houses. A number of tenants of the new rental housing indicated that downpayment requirements prevented them from buying houses, however.

Because of the absence of new housing for the Negro market the alternatives for a prospective Negro buyer appear to be either to buy a cheaper house than would a white family of the same income, or to commit a larger share of income to shelter costs. Free access to the new housing market would almost certainly further increase the homeownership segment of the Negro population, and, in all likelihood, would enable Negroes to buy better houses than they can now obtain.

TABLE 16.—New private housing available to Negroes, Philadelphia metropolitan area, 1946-53

Location	Dwelling units		Sales price or monthly rent	Rent includes	Type	Built or completed	Neighborhood
	Number	Size					
<b>PHILADLPHIA</b>							
Girard Court, 21st and College.....	64	6, 2 rooms..... 26, 3 rooms..... 32, 4½ rooms.....	\$58 50 65 00 79 50	Heat and hot water...	2-story walkup.....	1951	Old slum area; heavy traffic.
Carver Gardens, 55th and Wyalusing...	24	20, 4 rooms..... 4, 4 rooms, corners.....	76 50 80 00	.....do.....	.....do.....	1952	Old warehouse on one side factory in back.
Simon Gardens, Musgrave and Slocum.	48	24, 3 rooms..... 24, 4 rooms.....	75 00 90 00	Heat, hot water, gas and electricity	3-story walkup.....	1951	Changing neighborhood, heavy traffic, carbarn across street
Flamingo apartments, Broad and Stiles (mixed occupancy)	300	42, 2 rooms (efficiency)..... 196, 3½ rooms (1 bedroom). 56, 4½ rooms (2 bedrooms). 6 janitors.....	70 00-77 50 85 00-99 50 110 50 120 50	.....do.....	14-story elevator.....	1952	Old slum area, heavy traffic.
Glenifer Homes, 54th and Conestoga, north of Girard.	23	23, 6 rooms.....	(1)	.....do.....	2-story row houses.....	1946	Heavy traffic on Girard Ave., 54th; elderly but substantially good houses on tree-lined street, Conestoga garages and poor quality houses
Island Rd. at 76th St.....	22	22, 6 rooms.....	9,900.00	.....do.....	.....do.....	2 1953	Predominantly older single-family houses, heavy traffic on Island Rd.
Friends Service, Inc., 3 7th and Brown (mixed occupancy).	97	50, 1 bedroom..... 29, 2 bedrooms..... 16, 3 bedrooms..... 2, 4 bedrooms.....	47 50-55 00 60 00-65 00 75 00-80 00 87 50	Heat, hot water, gas, electricity, payment on capital	3-story walkup.....	2 1952	East Poplar redevelopment area
<b>DELAWARE COUNTY</b>							
Flower Manor, 9th and Green, Chester, Pa.	84	74, 4½ rooms..... 10, 4½ rooms.....	65 00 62 50	Nothing.....	2-story rowhouses.....	1951	On U S Highway 13, partially industrial, but odors
Chester Homes, 6th and Jeffrey, Chester, Pa.	58	58, 5 rooms.....	\$8,100-\$9,300	.....do.....	.....do.....	1951	Adjacent to Philadelphia-Washington line of Pennsylvania Railroad, heavy industry

See footnotes at end of table.

TABLE 16.—New private housing available to Negroes, Philadelphia metropolitan area, 1946-53—Continued

Location	Dwelling units		Sales price or monthly rent	Rent includes	Type	Built or completed	Neighborhood
	Number	Size					
DELAWARE COUNTY—continued							
Lincoln Park, Sharon Ave, near Hook Road, Darby Township	207	207, 4 rooms.....	\$6,700	.....	1-story rowhouses.....	1950	Darby Township redevelopment area, junk yards, heavy traffic, near railroad and industry, promised shopping center did not materialize.
NEW JERSEY							
Woodbury Park, Naomi and Manor Rd, Woodbury	80	80, 4½ rooms.....	\$69 00-\$74 00	Heat, hot water, electric, gas	2-story rowhouses.....	1950	Older residential.
Deptford Terrace, Glassboro, Woodbury Rd	27	27, 4 rooms.....	\$8,500	.....	1-story, detached.....	1952	Do
Lawnside Village, Tavistock and Barrington Rds, Lawnside	10	4, 4 rooms, 6, 5 rooms.....	\$9,650	.....	1- and 2-story detached, frame.	1951	New residential

<sup>1</sup> Sale price after completion in 1946, \$6,004-\$6,994.

<sup>2</sup> Not completed in June 1953

<sup>3</sup> This development is a rehabilitation redevelopment project in the East Poplar area. The project is owned cooperatively by the occupants. In addition to the monthly pay-

ments there is a downpayment requirement, ranging from \$740 to \$1,200. The monthly carrying charges include a payment for amortization.

<sup>4</sup> At completion of first ones.

<sup>5</sup> Individual houses.

APPENDIX

TABLE 17—*Dwelling units occupied by nonwhites, by wards, Philadelphia: 1940 and 1950*

Ward	1940			1950		
	All dwelling units	Occupied by nonwhite		All dwelling units	Occupied by nonwhite	
		Number	Percent		Number	Percent
1.....	8,936	145	1 6	8,749	96	1 1
2.....	5,538	851	15 4	5,632	1,335	23 7
3.....	3,861	1,029	26 7	3,618	1,167	32 3
4.....	3,468	1,378	39 7	3,159	1,476	46 7
5.....	1,829	229	12 5	1,965	345	17 6
6.....	257	74	28 8	216	82	38 0
7.....	7,167	3,009	42 0	8,208	2,883	35 1
8.....	4,627	138	3 0	4,980	113	2 3
9.....	344	9	2 6	466	6	1 3
10.....	1,922	166	8 6	1,446	178	12 3
11.....	1,180	218	18 5	808	236	27 2
12.....	1,888	260	13 8	1,719	444	25 8
13.....	3,557	1,173	33 0	3,859	2,253	58 4
14.....	2,655	1,165	43 9	3,839	2,419	63 0
15.....	13,527	1,007	7 4	12,491	1,375	11 0
16.....	2,379	86	3 6	2,327	169	7 3
17.....	2,990	61	2 0	2,862	69	2 4
18.....	5,244	10	0 2	5,204	6	0 1
19.....	11,294	207	1 8	11,700	270	2 3
20.....	12,299	5,062	41 2	13,633	6,950	51 0
21.....	9,995	177	1 8	11,488	202	1 8
22.....	30,655	2,268	7 4	34,733	2,789	8 0
23.....	14,327	331	2 3	15,819	619	3 9
24.....	15,645	4,562	29 2	18,056	9,154	50 7
25.....	10,244	113	1 1	10,115	121	1 2
26.....	14,071	1,303	10 7	14,896	2,140	14 4
27.....	7,400	687	9 3	9,451	950	10 0
28.....	14,256	2,483	17 4	15,045	5,368	35 7
29.....	8,546	2,063	24 1	8,907	3,132	35 2
30.....	7,543	6,138	81 4	8,146	7,287	89 5
31.....	6,980	5	0 1	7,028	7	0 1
32.....	15,906	6,758	42 5	19,243	13,201	68 6
33.....	18,305	39	0 2	19,539	28	0 1
34, 52.....	26,033	4,353	16 7	29,884	6,768	22 6
35.....	20,748	42	0 2	41,173	91	0 2
36.....	12,278	4,554	37 1	13,477	5,921	43 9
37.....	6,391	426	6 7	6,730	1,193	17 7
38.....	20,683	756	3 7	22,878	1,566	6 8
39.....	17,195	444	2 6	16,751	445	2 7
40.....	16,096	1,165	7 2	15,725	1,245	7 9
41.....	11,083	154	1 4	15,345	167	1 1
42, 49, 50.....	45,481	194	0 4	53,301	207	0 4
43.....	14,124	210	1 5	14,164	198	1 4
44.....	11,324	3,696	36 2	10,938	5,981	54 7
45.....	8,825	45	0 5	9,165	45	0 5
46.....	26,436	419	1 6	27,847	577	2 1
47.....	9,745	4,934	50 6	11,067	8,255	74 6
48.....	6,470	26	0 4	8,120	320	3 9
49 (included in 42).....						
50 (included in 42).....						
51.....	11,585	671	5 8	13,493	836	6 2
52 (included in 34).....						

Source United States Census, 1940, Population and Housing, Statistics for Census Tracts, Philadelphia; United States Census of Population, 1950, vol III, Census Tract Statistics, ch. 42.

TABLE 18.—*Characteristics of dwelling units in Philadelphia census tracts containing more than 50 percent nonwhite households: 1950*<sup>1</sup>

Tract	Total dwelling units	Occupied by non-white	Owner-occupied	Non-white owners	No private bath or dilapidated	Occupied by non-white, no private bath and dilapidated	Married couples with-out own household	More than 1 person per room
2C.....	469	282	83	15	278	209	40	109
3B.....	670	486	112	36	405	328	60	132
4B.....	756	681	50	33	461	436	30	181
7B.....	1,899	1,487	134	43	1,143	1,070	90	400
7D.....	1,780	1,196	295	82	647	580	140	324
13A.....	2,400	1,535	263	73	1,260	907	95	735
13B.....	1,369	718	172	40	842	487	155	363
14A.....	3,237	2,334	277	118	1,295	866	205	853
20B.....	3,785	3,395	465	392	2,397	2,215	245	1,049
20C.....	1,243	782	157	115	491	337	45	237
23J.....	433	243	124	2	28	2	45	133
24C.....	3,846	2,628	1,412	942	772	653	395	681
24D.....	3,400	2,735	1,068	829	903	782	465	757
24E.....	1,543	809	417	220	327	255	160	298
24G.....	1,617	1,281	485	423	421	322	130	297
26A.....	863	675	270	156	288	222	105	138
26F.....	874	574	173	6	8	7	20	306
28B.....	3,184	2,393	1,530	1,059	680	638	285	554
28E.....	1,338	673	477	242	317	247	55	169
29D.....	2,131	1,486	837	516	334	274	245	347
30A.....	5,281	5,083	853	819	1,764	1,718	420	920
30B.....	2,865	2,204	970	585	1,752	688	275	494
32A.....	3,059	2,536	289	261	2,122	1,993	205	1,024
32C.....	4,933	3,803	931	730	2,027	1,708	335	954
32D.....	4,756	4,477	1,112	1,067	2,145	2,032	355	1,052
34Q.....	3,393	2,943	2,034	1,780	178	159	380	360
36A.....	822	786	286	272	170	168	65	122
36B.....	3,889	2,740	1,684	924	748	641	415	559
37D.....	810	429	318	167	106	63	75	139
38B.....	121	62	91	48	1	5	5	15
40A.....	123	106	59	48	66	59	5	29
40U.....	606	324	374	200	124	90	60	110
40W.....	217	119	148	76	98	67	30	52
40X.....	423	222	305	156	107	72	60	69
44B.....	3,628	2,733	1,814	1,299	530	476	450	610
44C.....	4,105	2,688	2,472	1,824	346	201	425	403
47A.....	5,998	3,938	816	499	2,384	1,977	345	1,107
47B.....	1,674	1,597	309	292	815	783	85	366
47C.....	2,543	2,198	554	479	1,105	1,023	235	487
47D.....	852	522	124	80	390	301	35	173
40-tract total.....	87,015	66,203	24,344	16,948	29,225	25,056	7,270	17,058
City total.....	599,495	100,685	328,035	29,439	72,113	33,471	47,855	56,405
40-tract total as percent of city total.....	14.5	65.7	7.4	57.6	40.5	74.9	15.2	30.2

<sup>1</sup> Tracts with less than 100 dwelling units not included

Source: United States Census of Population 1950, vol III, Census Tract Statistics, ch 42.



TABLE 19.—White and nonwhite households in mixed blocks by wards, Philadelphia: 1940

Ward	White households	Nonwhite households	White households in mixed blocks		Nonwhite households in mixed blocks		Nonwhite households in blocks without any white households
			Number	Percent	Number	Percent	
1.....	8,486	145	2,579	30.4	145	100.0	-----
2.....	4,484	851	2,627	59.0	836	98.2	15
3.....	2,580	1,029	1,456	56.4	965	93.8	64
4.....	1,877	1,378	1,519	80.9	1,341	97.3	37
5.....	1,611	229	1,057	70.0	229	100.0	-----
6.....	160	74	59	36.9	74	100.0	-----
7.....	3,533	3,009	1,958	55.4	2,746	91.3	293
8.....	3,731	138	1,195	32.0	122	88.4	16
9.....	310	9	169	54.5	9	100.0	-----
10.....	1,471	166	733	49.8	166	100.0	-----
11.....	838	218	727	86.8	206	94.5	12
12.....	1,424	260	944	66.3	252	96.9	8
13.....	2,144	1,173	1,966	91.7	1,163	99.1	10
14.....	1,877	1,165	894	64.9	1,121	96.2	44
15.....	10,797	1,007	4,464	41.3	957	95.0	50
16.....	2,108	86	950	45.1	84	97.7	2
17.....	2,706	61	816	30.2	61	100.0	-----
18.....	4,997	10	271	5.4	10	100.0	-----
19.....	10,583	207	2,445	23.1	207	100.0	-----
20.....	6,393	5,062	3,125	48.9	4,928	97.4	134
21.....	9,482	177	1,253	13.2	173	97.7	4
22.....	26,661	2,268	8,143	30.5	2,238	98.7	30
23.....	13,589	331	1,631	12.0	326	98.5	5
24.....	9,820	4,562	5,180	52.7	4,425	97.0	137
25.....	9,893	113	846	8.6	113	100.0	-----
26.....	12,283	1,503	3,394	27.6	1,503	100.0	-----
27.....	5,902	787	2,274	38.5	664	96.7	23
28.....	11,066	2,483	7,309	66.0	2,466	99.3	17
29.....	6,104	2,063	1,541	25.2	1,994	96.7	69
30.....	1,142	6,138	948	83.0	5,001	81.5	1,137
31.....	6,723	5	141	2.1	5	100.0	-----
32.....	7,831	6,758	3,821	48.8	6,364	94.2	394
33.....	17,844	39	1,297	7.3	39	100.0	-----
34.....	20,549	4,353	3,839	18.7	4,040	92.8	313
35.....	19,850	42	526	2.6	42	100.0	-----
36.....	7,399	4,554	3,211	43.4	4,359	95.7	195
37.....	5,633	426	1,111	19.7	426	100.0	-----
38.....	19,048	756	2,936	15.4	756	100.0	-----
39.....	16,313	444	3,354	20.6	432	97.3	12
40.....	24,931	1,836	3,159	12.7	1,727	94.1	109
41.....	10,581	154	545	5.2	154	100.0	-----
42.....	43,283	194	3,272	7.6	194	100.0	-----
43.....	13,476	210	1,356	10.1	210	100.0	-----
44.....	7,187	3,695	3,272	45.5	3,410	92.3	285
45.....	8,611	45	640	7.4	45	100.0	-----
46.....	24,574	419	5,390	21.9	419	100.0	-----
47.....	3,916	4,934	3,091	78.9	4,645	94.1	289
48.....	6,317	26	406	6.4	26	100.0	-----
City.....	441,488	65,492	103,840	23.5	61,818	94.4	3,674

<sup>1</sup> Includes 52d ward.

<sup>2</sup> Includes 51st ward.

<sup>3</sup> Includes 49th and 50th wards.

Source: United States Census, 1940, Housing, Supplement to the First Series, Philadelphia Block Statistics.

TABLE 20—White and nonwhite households in mixed blocks by wards, Philadelphia: 1950

Ward	White households	Nonwhite households	White households in mixed blocks		Nonwhite households in mixed blocks		Nonwhite households in blocks without any white households
			Number	Percent	Number	Percent	
1	8,451	96	1,315	15.6	96	100.0	-----
2	4,106	1,335	2,642	64.3	1,326	99.3	19
3	2,293	1,167	1,414	61.7	1,154	98.9	13
4	1,563	1,476	1,273	81.4	1,351	91.5	125
5	1,540	345	1,074	69.7	345	100.0	-----
6	123	82	59	48.0	59	72.0	23
7	4,957	2,883	2,745	55.4	2,288	79.4	595
8	4,496	113	1,831	40.7	110	97.3	3
9	431	6	144	33.4	6	100.0	-----
10	1,184	178	493	41.6	157	88.2	21
11	595	236	489	82.2	225	95.3	11
12	1,209	444	1,004	83.0	439	98.9	5
13	1,455	2,253	1,428	98.1	2,096	93.0	167
14	1,280	2,419	942	73.0	2,061	85.2	368
15	10,522	1,375	3,589	34.1	1,367	98.4	8
16	2,034	169	1,197	58.8	169	100.0	-----
17	2,683	69	990	36.9	69	100.0	-----
18	5,025	6	258	5.1	6	100.0	-----
19	11,078	270	5,170	46.7	270	100.0	-----
20	6,104	6,950	4,357	71.4	6,570	94.5	380
21	10,372	202	1,414	13.6	197	97.5	5
22	30,949	2,789	8,275	26.7	2,675	95.9	114
23	15,218	619	1,930	12.7	490	79.2	129
24	8,302	9,154	5,835	70.3	8,937	97.6	217
25	9,771	121	705	7.2	116	95.9	5
26	12,499	2,140	2,890	23.1	2,140	100.0	-----
27	8,203	950	4,992	60.9	859	90.4	91
28	9,307	5,368	4,298	46.2	4,960	92.4	408
29	5,523	3,132	1,703	30.8	2,673	85.3	459
30	759	7,287	661	87.1	4,833	66.3	2,454
31	6,765	7	328	4.8	7	100.0	-----
32	5,420	13,201	2,981	55.0	11,460	86.8	1,741
33	19,125	28	1,201	6.3	28	100.0	-----
34	22,754	6,768	4,441	19.5	5,665	83.7	1,103
35	39,803	91	1,922	4.8	65	71.4	26
36	7,356	5,921	3,250	44.2	5,129	86.6	792
37	5,332	1,193	1,786	33.5	1,193	100.0	-----
38	20,786	1,566	4,603	22.1	1,566	100.0	-----
39	16,003	445	2,504	15.6	445	100.0	-----
40	26,644	2,081	2,458	9.2	1,878	90.2	203
41	14,785	167	940	6.4	162	97.0	5
42	52,188	206	2,432	4.7	206	100.0	-----
43	13,751	199	944	6.9	199	100.0	-----
44	4,790	5,981	3,255	68.0	4,977	83.2	1,004
45	8,986	45	855	9.5	45	100.0	-----
46	26,843	577	6,088	22.7	577	100.0	-----
47	2,417	8,255	2,258	93.4	6,265	75.9	1,990
48	7,722	320	1,150	14.9	308	96.3	12
City	484,013	100,685	108,513	22.4	88,209	87.6	12,476

<sup>1</sup> Includes 52d ward<sup>2</sup> Includes 51st ward<sup>3</sup> Includes 49th and 50th wards.

Source United States Census of Housing, 1950, vol V, Block Statistics, pt 143.

TABLE 21.—State of repair and plumbing equipment of occupied dwelling units, by race of occupants, Philadelphia: 1940 and 1950

	1940			1950		
	Total	White	Nonwhite	Total	White	Nonwhite <sup>1</sup>
Occupied dwelling units.....	506,980	441,488	65,492	584,698	484,013	100,685
Reporting.....	464,203	406,232	57,971	567,288	472,250	95,038
Needing major repairs (1940)—dilapidated (1950) <sup>2</sup> .....	28,787	16,493	12,294	25,882	9,941	15,941
Percent of reporting.....	6.2	4.1	21.2	4.6	2.1	16.8
Not needing major repairs but lacking bath (1940)—not dilapidated but lacking bath (1950).....	54,548	40,494	14,054	46,231	28,701	17,530
Percent of reporting.....	11.8	10.0	24.2	8.1	6.1	18.4
Needing major repairs and/or no private bath (1940)—dilapidated and/or no private bath (1950).....	83,335	56,987	26,348	72,113	38,642	33,471
Percent of reporting.....	18.0	14.1	45.4	12.7	8.2	35.2

<sup>1</sup> The 1950 data in this table are subject to revision. As yet citywide data on housing characteristics are not available by race. However, in the tract statistics the characteristics are given for nonwhites for all tracts having more than 250 nonwhite persons. The city totals for dwelling units occupied by nonwhites and having certain characteristics were compiled by adding the data for these tracts. The city totals for dwelling units occupied by whites having the same characteristics were arrived at by subtracting the figure for units occupied by nonwhites from the total occupied units having those characteristics. This introduces an element of error. Actually 99 percent of Philadelphia's nonwhite families are contained in those tracts, but final figures, if and when published by the census, are bound to show slight differences from the figures presented here.

<sup>2</sup> 1940 and 1950 data on condition are not strictly comparable because of change in definition used by the Census. The definition "dilapidated" used in 1950 is regarded as less inclusive than the 1940 definition "in need of major repairs."

Source: United States Census, 1940, vol. II, General Characteristics, Pennsylvania, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 38.

TABLE 22.—Homeowners and renters, by race, Philadelphia: 1940 and 1950

	1940		1950		Percent increase or decrease	
	White	Nonwhite	White	Nonwhite	White	Nonwhite
Occupied dwelling units.....	441,488	65,492	484,013	100,685	9.6	53.7
Homeowners.....	190,323	6,694	298,596	29,439	56.9	339.8
Percent.....	43.1	10.2	61.7	29.2		
Renters.....	251,165	58,798	185,417	71,246	-26.2	21.2
Percent.....	56.9	89.8	38.3	70.8		

Source: United States Census, 1940, Housing, vol. II, General Characteristics, Pennsylvania, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 38.

TABLE 23—*Nonwhite population, Bucks, Chester, Delaware, and Montgomery Counties: 1900-50*

	Total	Nonwhite	Percent nonwhite
<b>Bucks County</b>			
1900.....	71,190	2,200	3.1
1910.....	76,530	1,832	2.4
1920.....	82,476	1,810	2.2
1930.....	96,727	2,060	2.2
1940.....	107,715	1,983	1.8
1950.....	144,620	2,556	1.8
<b>Chester County</b>			
1900.....	95,695	9,242	9.7
1910.....	109,213	10,622	9.7
1920.....	115,120	11,386	9.9
1930.....	126,629	13,153	10.4
1940.....	135,625	13,069	9.6
1950.....	159,141	15,044	9.5
<b>Delaware County</b>			
1900.....	94,762	9,894	10.4
1910.....	117,906	11,897	10.1
1920.....	173,084	15,717	9.1
1930.....	280,264	21,842	7.8
1940.....	310,756	22,844	7.4
1950.....	414,234	29,598	7.1
<b>Montgomery County</b>			
1900.....	138,965	4,503	3.2
1910.....	169,590	6,021	3.6
1920.....	199,310	8,326	4.2
1930.....	265,804	12,572	4.7
1940.....	289,247	14,366	5.0
1950.....	353,068	15,090	4.3

Source United States Census, 1910, Supplement for Pennsylvania (contains also 1900 figures), United States Census, 1920, vol III, Population, United States Census, 1930, vol III, Population, pt 2, United States Census, 1940, Population, 2d series, Characteristics of the Population, Pennsylvania, United States Census of Population, 1950, vol II, Characteristics of the Population, ch 38.

TABLE 24.—*Nonwhite population, Burlington, Camden, and Gloucester Counties: 1910-50*

	Total population	Nonwhite	Percent nonwhite
<b>Camden County</b>			
1910.....	142,029	9,402	6.6
1920.....	190,508	12,107	6.4
1930.....	252,312	16,914	6.7
1940.....	255,727	18,034	7.1
1950.....	300,743	22,868	7.6
<b>Burlington County</b>			
1910.....	66,565	3,454	5.2
1920.....	81,770	4,493	5.5
1930.....	93,541	6,762	7.2
1940.....	97,013	7,012	7.2
1950.....	135,910	11,076	8.1
<b>Gloucester County</b>			
1910.....	37,368	2,375	6.4
1920.....	48,224	3,154	6.5
1930.....	70,802	6,110	8.6
1940.....	72,219	6,778	9.4
1950.....	91,727	8,727	9.5

Source United States Census, 1910, vol I, Population, United States Census, 1920, vol III, Population; United States Census, 1930, vol III, Population, pt 2, United States Census, 1940, Population, 2d series, Characteristics of the Population, New Jersey, United States Census of Population, 1950, vol II, Characteristics of the Population, ch 30.

TABLE 26.—*Bucks County—Selected housing data, 1940 and 1950*

A. DWELLING UNITS BY RACE OF OCCUPANTS, BUCKS COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	30,624	44,331	44.8
Occupied by nonwhite.....	424	609	43.6
Percent occupied by nonwhite.....	1.4	1.4	-----

B. DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940	1950	Percent increase or decrease
4 municipalities <sup>1</sup>			
All dwelling units.....	7,186	11,517	60.3
Occupied by nonwhite.....	142	330	132.4
Percent occupied by nonwhite.....	2.0	2.9	-----
50 municipalities <sup>2</sup>			
All dwelling units.....	23,438	32,814	40.0
Occupied by nonwhite.....	282	279	-1.1
Percent occupied by nonwhite.....	1.2	.9	-----

C. DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Bucks County.....	30,624	100.0	44,331	100.0
4 municipalities <sup>1</sup> .....	7,186	23.5	11,517	26.0
50 municipalities <sup>2</sup> .....	23,438	76.5	32,814	79.0

D. DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940	1950	1940	1950
Bucks County.....	424	609	100.0	100.0
4 municipalities <sup>1</sup> .....	142	330	33.5	54.2
50 municipalities <sup>2</sup> .....	282	279	66.5	45.8

<sup>1</sup> Bensalem, Bristol Borough, Bristol Township, and Falls Township.

<sup>2</sup> All others

Source: United States Census, 1940, Housing, 1st series, Data for Small Areas, Pennsylvania, United States Census of Population, 1950, vol III, Census Tract Statistics, ch 42, United States Census of Housing, 1950, vol I, General Characteristics, ch. 38.

TABLE 26.—*Chester County—Selected housing data, 1940 and 1950*

A. DWELLING UNITS BY RACE OF OCCUPANTS, CHESTER COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	34,470	42,143	22.3
Occupied by nonwhite.....	3,013	3,098	2.8
Percent occupied by nonwhite.....	8.7	7.4	-----

TABLE 26.—*Chester County—Selected housing data, 1940 and 1950—Continued*B DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940	1950	Percent increase or decrease
6 municipalities <sup>1</sup>			
All dwelling units.....	10,731	12,314	14.8
Occupied by nonwhite.....	1,655	1,794	8.4
Percent occupied by nonwhite.....	15.4	14.6	-----
67 municipalities <sup>2</sup>			
All dwelling units.....	23,739	29,829	25.7
Occupied by nonwhite.....	1,358	1,304	-4.0
Percent occupied by nonwhite.....	5.7	4.4	-----

C DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Chester County.....	34,470	100.0	42,143	100.0
6 municipalities <sup>1</sup> .....	10,731	31.1	12,314	29.2
67 municipalities <sup>2</sup> .....	23,739	68.9	29,829	70.8

## D DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940	Percent	1950	Percent
Chester County.....	3,013	100.0	3,098	100.0
6 municipalities <sup>1</sup> .....	1,655	54.9	1,794	57.9
67 municipalities <sup>2</sup> .....	1,358	45.1	1,304	42.1

<sup>1</sup> Coatesville, Kennett Square, South Coatesville, Tredyffrin Township, Valley Township, and West Chester.

<sup>2</sup> All others.

Source: United States Census, 1940, Housing, 1st series, Data for Small Areas, Pennsylvania, United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 38.

TABLE 27.—*Delaware County—Selected housing data, 1940 and 1950*

## A. DWELLING UNITS BY RACE OF OCCUPANTS, DELAWARE COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	83,596	116,935	39.9
Occupied by nonwhite.....	4,994	6,761	35.4
Percent occupied by nonwhite.....	6.0	5.8	-----

B. DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940	1950	Percent increase or decrease
6 municipalities <sup>1</sup>			
All dwelling units.....	22,761	28,450	25.0
Occupied by nonwhite.....	3,621	5,475	51.1
Percent occupied by nonwhite.....	15.9	19.2	-----
43 municipalities <sup>2</sup>			
All dwelling units.....	60,835	88,485	45.5
Occupied by nonwhite.....	1,373	1,286	-6.3
Percent occupied by nonwhite.....	2.3	1.5	-----

See footnotes at end of table.

TABLE 27.—*Delaware County—Selected housing data, 1940 and 1950—Continued*

C. DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Delaware County.....	83,596	100 0	116,935	100.0
6 municipalities <sup>1</sup> .....	22,761	27 2	28,450	24 3
45 municipalities <sup>2</sup> .....	60,835	72 8	88,485	75.7

D. DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940	1950	1940	1950
Delaware County.....	4,994	6,761	100 0	100 0
6 municipalities <sup>1</sup> .....	3,621	5,475	72 5	81 0
43 municipalities <sup>2</sup> .....	1,373	1,286	27 5	19 0

<sup>1</sup> Chester City, Chester Township, Darby Borough, Darby Township, Upper Chichester, Yeadon  
<sup>2</sup> All others.

Source United States Census, 1940, Housing, 1st series, Data for Small Areas, Pennsylvania, United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 33

TABLE 28.—*Montgomery County—Selected housing data, 1940 and 1950*

A. DWELLING UNITS BY RACE OF OCCUPANTS, MONTGOMERY COUNTY,  
1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	74,303	96,598	30 0
Occupied by nonwhite.....	2,353	2,613	11 0
Percent occupied by nonwhite.....	3 2	2 7	

B. DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940	1950	Percent increase or decrease
8 municipalities <sup>1</sup>			
All dwelling units.....	38,089	47,389	24.4
Occupied by nonwhite.....	1,879	2,062	9 7
Percent occupied by nonwhite.....	4 9	4 4	
53 municipalities <sup>2</sup>			
All dwelling units.....	36,214	49,209	35 9
Occupied by nonwhite.....	474	551	16 2
Percent occupied by nonwhite.....	1 3	1 1	

C. DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Montgomery County.....	74,303	100 0	96,598	100 0
8 municipalities <sup>1</sup> .....	38,089	51 3	47,389	49 1
53 municipalities <sup>2</sup> .....	36,214	48 7	46,684	50 9

See footnotes at end of table

TABLE 28.—*Montgomery County—Selected housing data, 1940 and 1950—Con.*

## D DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Montgomery County.....	2,353	100 0	2,613	100 0
8 municipalities <sup>1</sup> .....	1,879	79 9	2,062	78 9
53 municipalities <sup>2</sup> .....	474	20 1	551	21 1

<sup>1</sup> Abington, Ambler, Cheltenham, Lower Gwynedd, Lower Merion, Norristown, Pottstown, Upper Dublin

<sup>2</sup> All others

Source: United States Census, 1940, *Housing*, 1st series, Data for Small Areas, Pennsylvania; United States Census of Population, 1950, vol. III, *Census Tract Statistics*, ch. 42, United States Census of Housing, 1950, vol. I, *General Characteristics*, ch. 38.

TABLE 29.—*Burlington County—Selected housing data, 1940 and 1950*

## A DWELLING UNITS BY RACE OF OCCUPANTS, BURLINGTON COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	27,498	36,113	31 3
Occupied by nonwhite.....	1,555	1,794	15 4
Percent occupied by nonwhite.....	5 7	5 0	-----

## B DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

6 municipalities <sup>1</sup> .....			
All dwelling units.....	10,415	12,820	23 1
Occupied by nonwhite.....	955	1,133	18 6
Percent occupied by nonwhite.....	9 2	8 8	-----
34 municipalities <sup>2</sup> .....			
All dwelling units.....	17,083	23,293	36 4
Occupied by nonwhite.....	600	661	10 2
Percent occupied by nonwhite.....	3 5	2 8	-----

## C DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

Burlington County.....	27,498	100 0	36,113	100 0
6 municipalities <sup>1</sup> .....	10,415	37 9	12,820	35 5
34 municipalities <sup>2</sup> .....	17,083	62 1	23,293	64 5

## D DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS OF MUNICIPALITIES, 1940 AND 1950

Burlington County.....	1,555	100 0	1,794	100 0
6 municipalities <sup>1</sup> .....	955	61 4	1,133	63 2
34 municipalities <sup>2</sup> .....	600	38 6	661	36 8

<sup>1</sup> Bordentown City, Burlington City, Cinnaminson, Moorestown, Mount Holly, and Palmyra.

<sup>2</sup> All others

Source: United States Census, 1940, *Housing*, 1st series, Data for Small Areas, New Jersey, United States Census of Population, 1950, vol. III, *Census Tract Statistics*, ch. 42, United States Census of Housing, 1950, vol. I, *General Characteristics*, ch. 30.



TABLE 30.—Camden County—Selected housing data, 1940 and 1950

A. DWELLING UNITS BY RACE OF OCCUPANTS, CAMDEN COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	70,457	88,429	25.5
Occupied by nonwhite.....	4,485	5,582	24.5
Percent occupied by nonwhite.....	6.4	6.3	-----

B. DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES  
1940 AND 1950

	1940	1950	Percent increase
Camden city:			
All dwelling units.....	31,440	35,510	12.9
Occupied by nonwhite.....	3,189	4,156	30.3
Percent occupied by nonwhite.....	10.1	11.7	-----
Remainder of county:			
All dwelling units.....	39,017	52,919	35.6
Occupied by nonwhite.....	1,296	1,426	10.0
Percent occupied by nonwhite.....	3.3	2.7	-----

C. DISTRIBUTION OF DWELLING UNITS, CAMDEN CITY AND BALANCE OF COUNTY,  
1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Camden County.....	70,457	100.0	88,429	100.0
Camden city.....	31,440	44.6	35,510	40.2
Balance of county.....	39,017	55.4	52,919	59.8

D. DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, CAMDEN CITY  
AND BALANCE OF COUNTY, 1940 AND 1950

	1940	1940	1950	1950
Camden County.....	4,485	100.0	5,582	100.0
Camden city.....	3,189	71.1	4,156	74.5
Balance of county.....	1,296	28.9	1,426	25.5

Source: United States Census, 1940, Housing, 1st series, Data for Small Areas, New Jersey, United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42; United States Census of Housing, 1950, vol. I, General Characteristics, ch. 30.

TABLE 31.—Gloucester County—Selected housing data, 1940 and 1950

A. DWELLING UNITS BY RACE OF OCCUPANTS, GLOUCESTER COUNTY, 1940 AND 1950

	1940	1950	Percent increase
All dwelling units.....	21,233	28,493	34.2
Occupied by nonwhite.....	1,644	2,137	30.0
Percent occupied by nonwhite.....	7.7	7.5	-----

TABLE 31—*Gloucester County—Selected housing data, 1940-1950—Continued*B DWELLING UNITS BY RACE OF OCCUPANTS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940	1950	Percent
8 municipalities <sup>1</sup>			
All dwelling units.....	9,717	13,400	37.9
Occupied by nonwhite.....	1,258	1,640	30.4
Percent occupied by nonwhite.....	12.9	12.2	
16 municipalities <sup>2</sup>			
All dwelling units.....	11,516	15,093	31.0
Occupied by nonwhite.....	386	497	28.8
Percent occupied by nonwhite.....	3.4	3.3	

C. DISTRIBUTION OF DWELLING UNITS, BY GROUPS OF MUNICIPALITIES,  
1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Gloucester County.....	21,233	100.0	28,493	100.0
8 municipalities <sup>1</sup> .....	9,717	45.8	13,400	47.0
16 municipalities <sup>2</sup> .....	11,516	54.2	15,093	53.0

D. DISTRIBUTION OF DWELLING UNITS OCCUPIED BY NONWHITES, BY GROUPS  
OF MUNICIPALITIES, 1940 AND 1950

	1940		1950	
	Number	Percent	Number	Percent
Gloucester County.....	1,644	100.0	2,137	100.0
8 municipalities <sup>1</sup> .....	1,258	76.5	1,640	76.7
16 municipalities <sup>2</sup> .....	386	23.5	497	23.3

<sup>1</sup> Deptford, Elk Township, Glassboro, Monroe Township, Paulsboro, Swedesboro, Woodbury, and Woolwich Township.

<sup>2</sup> All others

Source: United States Census, 1940, Housing, 1st series, Data for Small Areas, New Jersey; United States Census of Population, 1950, vol. III, Census Tract Statistics, ch. 42, United States Census of Housing, 1950, vol. I, General Characteristics, ch. 30.

TABLE 32.—Population of 18 standard metropolitan areas,<sup>1</sup> by race, 1940 and 1950

Standard metropolitan area	Total population			White			Nonwhite		
	1940	1950	Percent increase	1940	1950	Percent increase	1940	1950	Percent increase
New York.....	11,660,839	12,911,994	10.7	10,991,985	11,866,482	8.0	668,854	1,045,512	56.3
Chicago.....	4,825,527	5,495,364	13.4	4,490,662	4,890,018	8.9	334,865	605,346	80.8
Philadelphia.....	3,199,637	3,671,048	14.7	2,862,791	3,186,404	11.3	336,843	484,644	43.9
Los Angeles.....	2,916,403	4,367,911	49.8	2,788,364	4,091,606	46.7	128,039	276,305	115.8
Detroit.....	2,377,329	3,016,197	26.9	2,204,551	2,664,272	20.4	172,778	361,925	109.5
Baltimore.....	1,083,300	1,337,373	24.5	888,524	1,070,712	20.5	194,776	266,661	36.9
Cleveland.....	1,267,270	1,465,511	15.6	1,179,041	1,311,391	11.2	88,229	154,120	74.7
St. Louis.....	1,432,088	1,681,281	17.4	1,280,640	1,464,826	14.4	151,448	216,455	42.9
Washington.....	967,985	1,464,089	51.3	737,158	1,122,206	52.2	230,827	341,883	48.1
Boston.....	2,177,621	2,369,986	8.8	2,140,294	2,314,256	8.1	37,327	55,730	49.3
San Francisco-Oakland.....	1,461,804	2,240,767	53.3	1,397,073	2,030,225	45.3	64,731	210,542	225.3
Pittsburgh.....	2,082,556	2,213,236	6.3	1,969,667	2,075,972	5.4	112,889	137,264	21.6
Milwaukee.....	766,885	871,047	13.6	757,267	847,805	12.0	9,618	23,242	141.7
Houston.....	528,961	806,701	52.5	424,819	656,249	54.5	104,142	150,452	44.5
Buffalo.....	958,487	1,089,230	13.6	934,606	1,041,437	11.4	23,881	47,793	100.1
New Orleans.....	552,244	685,405	24.1	392,463	484,839	23.5	159,781	200,566	25.5
Minneapolis-St. Paul.....	940,937	1,116,509	18.7	931,070	1,101,208	18.3	9,867	15,301	55.1
Cincinnati.....	787,044	904,402	14.9	718,024	808,746	12.6	69,020	95,656	38.6

<sup>1</sup> The metropolitan areas are listed in the order of the 1950 population of the central city.

Source: United States Census of Population, 1950, Advance Reports, Series PC 9, No. 6, and Series PC 11, No. 1.

TABLE 33.—Population outside central city or cities of 18 standard metropolitan areas, by race, 1940 and 1950

Standard metropolitan area	Total population			White			Nonwhite		
	1940	1950	Percent increase	1940	1950	Percent increase	1940	1950	Percent increase
New York <sup>1</sup> .....	3,474,911	4,282,244	23.2	3,344,352	4,108,853	22.9	131,559	173,391	31.8
Chicago.....	1,428,719	1,874,402	31.2	1,376,098	1,778,493	29.2	52,621	95,909	82.3
Philadelphia.....	1,268,303	1,599,443	26.1	1,184,217	1,493,767	26.1	84,086	105,676	25.7
Los Angeles.....	1,412,126	2,397,553	69.8	1,781,934	2,332,833	68.8	30,192	64,720	114.4
Detroit.....	753,877	1,166,629	54.8	731,889	1,108,425	51.4	21,988	58,204	164.7
Baltimore.....	224,200	387,665	72.9	195,819	347,057	77.2	28,381	40,608	43.1
Cleveland.....	388,934	550,703	41.6	385,624	546,130	41.6	3,310	4,573	38.2
St. Louis.....	616,040	824,485	33.8	574,846	762,478	32.9	42,194	62,007	47.0
Washington.....	304,894	661,911	117.1	262,832	604,059	129.8	42,062	57,852	37.5
Boston.....	1,406,805	1,568,542	11.5	1,394,828	1,555,556	11.5	11,977	12,986	8.4
San Francisco-Oakland <sup>2</sup> .....	525,105	1,080,835	105.8	500,436	1,007,540	98.9	18,669	73,295	292.6
Pittsburgh.....	1,410,897	1,536,430	8.9	1,360,431	1,482,149	8.9	50,466	54,281	7.6
Milwaukee.....	179,413	233,655	30.2	179,090	233,155	30.2	323	500	54.8
Houston.....	144,447	210,538	45.8	126,860	185,746	46.4	17,587	24,792	41.0
Buffalo.....	382,586	509,098	33.1	376,988	499,005	32.4	5,598	10,093	80.3
New Orleans.....	57,707	114,960	99.2	47,888	97,076	103.7	10,019	17,884	78.5
Minneapolis-St. Paul <sup>3</sup> .....	160,831	283,442	76.2	160,572	282,846	76.1	259	596	130.1
Cincinnati.....	331,434	400,404	20.8	318,171	383,433	20.5	13,263	16,971	28.0

<sup>1</sup> Outside New York, Jersey City, and Newark.<sup>2</sup> Outside San Francisco and Oakland.<sup>3</sup> Outside Minneapolis and St. Paul.

NOTE.—Areas are listed in order of population of the central city.

Source: United States Census of Population, 1950, Advance Reports, Series PC-9, No. 6, and Series PC-14, No. 1.

TABLE 34.—Increase in population, inside and outside central city or cities of 18 standard metropolitan areas,<sup>1</sup> 1940 to 1950

Standard metropolitan area	Total increase	Inside central city or cities	Outside central city or cities	Percent inside	Percent outside
New York.....	1,251,155	<sup>2</sup> 443,772	807,333	35 5	64 5
Chicago.....	669,837	224,154	445,686	33 5	66 5
Philadelphia.....	471,411	140,271	331,140	29 8	70 2
Los Angeles.....	1,451,508	466,081	985,427	32 1	67 9
Detroit.....	638,868	226,116	412,752	35 4	64 6
Baltimore.....	254,073	90,608	163,465	35 7	64 3
Cleveland.....	198,241	36,472	161,769	18 4	81 6
St. Louis.....	249,193	40,748	208,445	16 4	83 6
Washington.....	496,104	139,087	357,017	28 0	72 0
Boston.....	192,365	30,628	161,737	15 9	84 1
San Francisco-Oakland.....	778,963	<sup>3</sup> 223,233	555,730	28 7	71 3
Pittsburgh.....	130,680	5,147	125,533	3 9	96 1
Milwaukee.....	104,162	49,920	54,242	47 9	52 1
Houston.....	277,740	211,649	66,091	76 2	23 8
Buffalo.....	130,743	4,231	126,512	3 2	96 8
New Orleans.....	133,161	75,908	57,253	57 0	43 0
Minneapolis-St. Paul.....	175,572	<sup>4</sup> 52,961	122,611	30 2	69 8
Cincinnati.....	117,358	48,388	68,970	41 2	58 8

<sup>1</sup> Areas are listed in the order of the 1950 population of the central city.

<sup>2</sup> Increase in New York City, Jersey City, and Newark.

<sup>3</sup> Increase in San Francisco and Oakland.

<sup>4</sup> Increase in Minneapolis and St. Paul.

Source: United States Census of Population, 1950, Advance Reports, Series PC-9, No. 6.

TABLE 35.—Increase in the white population, inside and outside central city or cities of 18 standard metropolitan areas,<sup>1</sup> 1940 to 1950

Standard metropolitan area	Total increase	Inside central city or cities	Outside central city or cities	Percent inside	Percent outside
New York.....	874,497	<sup>2</sup> 108,996	765,501	12 5	87 5
Chicago.....	399,356	-3,039	402,395	- 8	100 8
Philadelphia.....	323,610	14,060	309,550	4 3	95 7
Los Angeles.....	1,303,242	352,343	950,899	27 0	73 0
Detroit.....	449,721	73,185	376,536	16 3	83 7
Baltimore.....	182,188	30,950	151,238	17 0	83 0
Cleveland.....	132,350	-28,156	160,506	-21 3	121 3
St. Louis.....	184,186	-4,446	188,632	-2 4	102 4
Washington.....	385,048	43,821	341,227	11 4	88 6
Boston.....	173,962	13,234	160,728	7 6	92 4
San Francisco-Oakland.....	633,152	<sup>3</sup> 132,048	501,104	20 9	79 1
Pittsburgh.....	106,305	-15,413	121,718	-14 5	114 5
Milwaukee.....	90,538	36,473	54,065	40 3	59 7
Houston.....	231,430	172,544	58,886	74 6	25 4
Buffalo.....	106,831	-15,186	122,017	-14 2	114 2
New Orleans.....	92,376	42,988	49,388	46 5	53 5
Minneapolis-St. Paul.....	170,138	<sup>4</sup> 47,864	122,274	28 1	71 9
Cincinnati.....	90,722	25,460	65,262	28 1	71 9

<sup>1</sup> Areas are listed in the order of the 1950 population of the central city.

<sup>2</sup> Increase in New York City, Jersey City, and Newark.

<sup>3</sup> Increase in San Francisco and Oakland.

<sup>4</sup> Increase in Minneapolis and St. Paul.

Source: United States Census of Population, 1950, Advance Reports, Series PC-9, No. 6 and Series PC-14 No. 1.

TABLE 36—Increase in the nonwhite population, inside and outside central city or cities of 18 standard metropolitan areas,<sup>1</sup> 1940 to 1950

Standard metropolitan area	Total increase	Inside central city or cities	Outside central city or cities	Percent inside	Percent outside
New York.....	376,658	<sup>2</sup> 334,826	41,832	88.9	11.1
Chicago.....	270,481	227,193	43,288	84.0	16.0
Philadelphia.....	147,801	126,211	21,590	85.4	14.6
Los Angeles.....	148,266	113,738	34,528	76.7	23.3
Detroit.....	189,147	152,931	36,216	80.9	19.1
Baltimore.....	71,885	59,658	12,227	83.0	17.0
Cleveland.....	65,891	64,628	1,263	98.1	1.9
St. Louis.....	65,007	45,194	19,813	69.5	30.5
Washington.....	111,056	95,266	15,790	85.8	14.2
Boston.....	18,403	17,394	1,009	94.5	5.5
San Francisco-Oakland.....	145,811	<sup>3</sup> 91,185	54,626	62.5	37.5
Pittsburgh.....	24,375	20,560	3,815	84.3	15.7
Milwaukee.....	13,624	13,447	177	98.7	1.3
Houston.....	46,310	39,105	7,205	84.4	15.6
Buffalo.....	23,912	19,417	4,495	81.2	18.8
New Orleans.....	40,785	32,920	7,865	80.7	19.3
Minneapolis-St. Paul.....	5,434	<sup>4</sup> 5,097	337	93.8	6.2
Cincinnati.....	26,636	22,928	3,708	86.1	13.9

<sup>1</sup> Areas are listed in the order of the 1950 population of the central city.

<sup>2</sup> Increase in New York City, Jersey City, and Newark

<sup>3</sup> Increase in San Francisco and Oakland

<sup>4</sup> Increase in Minneapolis and St. Paul

Source: United States Census of Population, 1950, Advance Reports, Series PC-9, No. 6 and Series PC-14, No. 1

TABLE 37—Proportion of nonwhite population, inside and outside central city or cities of 18 standard metropolitan areas,<sup>1</sup> 1940 and 1950

Standard metropolitan area	Inside city		Outside city <sup>2</sup>		Standard metropolitan area	Inside city		Outside city <sup>2</sup>	
	1940	1950	1940	1950		1940	1950	1940	1950
New York.....	6.4	9.8	3.8	4.0	Boston.....	3.3	5.3	.9	.8
Chicago.....	8.3	14.1	3.7	5.1	San Francisco.....	5.0	10.5	3.6	6.8
Philadelphia.....	13.1	18.3	6.6	6.6	Pittsburgh.....	9.3	12.3	3.6	3.5
Los Angeles.....	6.5	10.7	2.1	2.7	Milwaukee.....	1.6	3.6	2	2
Detroit.....	9.3	16.4	2.9	5.0	Houston.....	22.5	21.1	12.2	11.8
Baltimore.....	19.4	23.8	12.7	10.5	Buffalo.....	3.2	6.5	1.5	2.0
Cleveland.....	9.7	16.3	9	8	New Orleans.....	30.3	32.0	17.4	15.6
St. Louis.....	13.4	18.0	6.9	7.5	Minneapolis.....	1.1	1.6	2	2
Washington.....	28.5	35.4	13.8	8.7	Cincinnati.....	12.2	15.6	4.0	4.2

<sup>1</sup> The areas are listed in the order of the 1950 population of the central city.

<sup>2</sup> The "outside" area in the case of New York excludes Newark and Jersey City as well as New York City, in the case of San Francisco, it excludes both San Francisco and Oakland, in the case of Minneapolis, St. Paul is also excluded.

Source: United States Census of Population 1950, Advance Reports, Series PC-9, No. 6 and Series PC-14, No. 1

#### A TECHNIQUE FOR MAPPING NEGRO OCCUPANCY BY BLOCKS AND FOR RECORDING CHANGES IN RACIAL OCCUPANCY

In addition to the foregoing report, the Housing Association undertook (a) "to make a quantitative analysis of nonwhite households by city blocks in selected areas which appear to be unstable in terms of racial composition," and (b) "to make a special analysis in selected areas of the city of Philadelphia wherein housing is becoming newly available for occupancy by nonwhites."

Census data, available in the block statistics for each of the more than 13,000 residential blocks, give the number of occupied dwelling units as well as the number of dwelling units occupied by nonwhites in 1950. It was proposed to develop a method of presenting these data on race in the belief that block-by-block mapping would more clearly indicate the areas of concentration as well as the fringe areas where housing is likely to become available for nonwhite occupancy. Then, if it were possible to locate and map those blocks into which Negro families have moved since 1950, a visual picture would be obtained of the present status of blocks in terms of racial occupancy.

Two areas were selected for these studies, one in north-central Philadelphia (Broad Street to the Schuylkill River, from Girard Avenue to Hunting Park Avenue) and the other in Germantown.

On street maps at the scale of 1 inch equals 1,000 feet, Negro occupancy in 1950 was mapped in 3 colors using 3 percentage ranges; less than 10 percent, 10 but less than 50 percent, and 50 percent or more. Blocks with no nonwhite households were not marked at all. For the northernmost part of the north Philadelphia area another map was made showing Negro occupancy by blocks in 1940. Mapping of the 1940 data was not extended because the census publication, *Housing, Analytical Maps, Philadelphia, Pa., Block Statistics*, contains a set of black-and-white maps showing Negro occupancy by blocks in 1940.<sup>1</sup> This set, if reproduced in color would furnish an easily noticeable visual comparison; the percentage ranges chosen by the census for the 1940 maps can be combined into the same percentage ranges chosen in this study for 1950.

In the Germantown area the process was carried one step further, and those blocks into which at least one nonwhite family was known to have moved since 1950 was marked, using a fourth color.

From these studies it appeared that a citywide set of maps embodying the 1950 data, as well as the changes since 1950, would be valuable. The maps are not included in this report because color mapping cannot be reproduced within the cost of this study.

The Commission on Human Relations inspected the trial maps thus prepared and decided to undertake block-by-block mapping of Negro occupancy and of changing blocks for the entire city. These maps are now available at the commission where they presumably will be kept up to date with regard to change in occupancy.

The percentage ranges described—under 10 percent, 10 to 50 percent, 50 percent or more—were chosen because it was thus possible to classify each block by inspection of the basic data (occupied dwelling units and dwelling units occupied by nonwhite), and the necessity of figuring arithmetically thousands of percentages was eliminated. It would, of course, be possible without much additional arithmetic to add 1 or 2 more ranges, indicating the blocks occupied by 90 to 99 percent and by 100 percent nonwhite households.

The percentage ranges chosen seemed to give an adequate picture of the concentrations of nonwhite occupancy as well as the areas possibly in transition. Care must be exercised in interpreting the blocks with less than 10 percent Negro households. They may be blocks in transition, and they usually are if adjacent to blocks that show higher concentrations. They may also be blocks with essentially all white occupancy, but with a Negro resident janitor, caretaker, watchman, or domestic servant. It would be desirable to verify such isolated blocks by field inspection. Inspection of land use maps will suggest, in some cases, reasons for the existence or absence of nonwhite occupancy. For instance, an unmarked block might suggest occupancy by whites only, but in reality it may be a nonresidential block; or one Negro-occupied dwelling unit in a block containing an apartment house would suggest a Negro resident janitor. In some cases nonwhite occupancy is limited to one side of the block although the marking of the whole block may suggest that nonwhite occupancy is found in the entire block. Changes in occupancy usually occur on one street frontage at a time rather than in an entire block. But the census block data do not differentiate occupancy by sectors of the block.

The information on changes in occupancy that occurred since 1950 was mainly derived from newspaper advertisements. The real-estate ads of the *Philadelphia Tribune*, a Negro paper, and of the Sunday editions of the *Philadelphia Inquirer* from January 1, 1953, through May 31, 1953, were examined for houses offered for sale to "colored." Such houses, when located in blocks occupied in 1950 solely by whites, were assumed to indicate a changed or changing block and the block was marked accordingly on the map.

The method of using real-estate ads as a source of information has its obvious limitations. An advertisement does not necessarily result in a sale, and occupancy changes may take place without advertisements. It is likely, however, that a majority of the changes will be discovered by this method. The reliability of this method could be checked by informed persons, realtors, etc., who have a special knowledge of an area.

<sup>1</sup> These and other maps in the same volume were prepared as a WPA project, sponsored by the Bureau of the Census; it will not prepare a similar set based on 1950 data.

In spite of the limitations of the technique, the results developed for one trial area appeared substantially complete and accurate.

#### METHODS AND SOURCES

Analysis of the trends in the geographical distribution of housing occupied by Negroes constitutes the bulk of Philadelphia's Negro Population—Facts on Housing. The Statistics for Census Tracts and the Block Statistics of the 1940 and the 1950 census were the basis of the study. They permit an analysis, by small areas and by blocks, of the number of dwelling units occupied by whites and Negroes.

Data on areas of concentration of Negro households in Philadelphia were developed from the Statistics for Census Tracts. Since census tracts are in most cases subdivisions of wards, a compilation of data for wards and for larger city areas is made possible.

Analysis of the quality of the housing occupied by Negroes is based on the census tract. The Statistics for Census Tracts furnish detailed data on the characteristics of dwelling units occupied by nonwhite persons for 124 census tracts containing 250 or more nonwhite persons. Over 99 percent of Philadelphia's nonwhite households are in these tracts. However, the 1950 census (contrary to the 1940 census) does not provide city totals on the characteristics of dwelling units occupied by nonwhites. Thus city totals (e. g., the number of dwelling units occupied by nonwhite persons and dwelling units having more than one person per room), could be obtained only by adding the data for the 124 tracts. Undoubtedly, the city totals for the nonwhite population, if and when published, will differ slightly from the totals given in this report.

The chapter on changing neighborhoods represents an effort at showing the effects of increasing ratios of Negro households on different types of areas. The data were developed from the tract and block statistics.

The comparison of 1940 and 1950 data on the Philadelphia standard metropolitan area and its component parts, counties, and municipal subdivisions, revealed that the increase in the Negro population is by no means evenly distributed. The text and tables for the outlying counties emphasize the differences in the distributional pattern. The data for 1940 are based on the census of housing; data for small areas—Pennsylvania. For 1950, they were developed from the statistics for census tracts, which for the first time are available for suburban Philadelphia. The tract data permit the pinpointing of areas of Negro concentration within municipalities. Because the outlying areas were not tracted in 1940, a 1940-50 comparison of tract data could not be made. No qualitative data were developed for the outlying areas.

The growth of the white and the nonwhite population in the 18 largest American cities and their metropolitan areas was analyzed for the purpose of comparing developments in Philadelphia and its suburbs with those in other large cities and their suburbs. The data were developed from the 1950 Census of Population, series PC-9, No. 6.

The survey of new housing available for Negro occupancy in the Philadelphia area since the end of the war was based on the records of the Philadelphia Housing Association and a list of housing insured by the Federal Housing Administration and available to minorities. It is possible that the inventory is not entirely complete, but it is not likely that any development of substantial size was overlooked. A field survey was made of all developments to determine location, size, tenure, and price, and to appraise the neighborhoods in which they are located.

The detailed census data on which most of the study is based are available for white and nonwhite. By definition, "nonwhite" includes Negroes, Indians, Chinese, Japanese, and others. However, Philadelphia's nonwhite population is virtually all Negro; of the 378,968 persons counted by the census as nonwhite, only 2,927 were counted in 1950 under the heading "Other races," including 409 Indians, 1,242 Chinese, and 416 Japanese; thus other races constitute less than 1 percent of the nonwhite population. For this reason the term "Negro" has been used interchangeably with the term "nonwhite" throughout the study of Philadelphia and its metropolitan area. In the analysis of the 18 largest cities and their metropolitan areas, the term "nonwhite" is used because minority populations are not Negro in all cities.

White buyers in new developments would realize that the new policy covers all new developments and that therefore no single project would have a large



influx of nonwhites. Similarly, residents of existing neighborhoods would recognize that housing is available to Negroes in many areas and that this would prevent rapid turnover in any one neighborhood. Thus panic flight which often occurs when the first Negro families appear would be decreased. In this way a change in FHA and VA policy would have effects in many areas, old and new. Rather than leading to upheavals, the policy change would have the opposite effect of decreasing tension and dislocation of families. Over a period of time a healthful stabilizing influence should be widely felt.

As for nonwhites, a Presidential order would not only improve the practical situation but also build confidence. The adoption of a policy of nondiscrimination by Federal housing agencies would encourage Negro families to look beyond the ghetto area and to seek housing in terms of their own financial abilities and wishes, wherever the housing may be located.

Private charitable, religious, labor, civic, and human relations agencies would generally welcome a new policy. More important, the Presidential action would give impetus and direction to their programs. There are many indications that upon the issuance of a Presidential order some organizations would initiate major programs in support of the administration's policy and program.

Most city administrators would be encouraged by a new policy which would make possible realistic planning and a concerted attack on problems of slums and blight by allowing adequate relocation of families in renewal areas and by stabilizing city and suburb alike.

Recently there have been signs of deepening concern about segregation in housing. In part, this interest results from the lessening of restrictions in other fields. In part, it is due to a recognition that housing segregation is on the increase and that, if the process is allowed to continue, advances in education, recreation, and other fields will be weakened or destroyed. A demonstration of position on the part of the administration would give direction and encouragement to the halting efforts of industry groups, private agencies, and Federal housing agencies. Support would probably come from leaders of both major parties. Out of action by the President would grow a vital partnership of government, industry, and the public which would not only improve racial housing patterns but strengthen the conscience and international position of America.

AMERICAN FRIENDS SERVICE COMMITTEE, INC.,  
*Philadelphia, Pa., April 8, 1955.*

DEAR FRIEND: The American Friends Service Committee is a Quaker organization. Along with a variety of other activities we work in the United States and various parts of the world on those problems of intergroup relations which result in prejudice and discrimination against people because of their race, creed or national origin.

At this time we are especially concerned about the exclusion of certain groups from homes especially on racial grounds. We have had direct practical experience with this problem in five areas of the United States. Because the democratic and moral principles involved are so clear to us, we endeavored during the early summer of 1954 to find out for ourselves how this segregation had come about, how it was continuing to expand, and what were the necessary steps to be taken if segregated housing was to be done away with. We did a rather thorough study of the situation and found some devastating facts and some positive and hopeful steps which might be taken.

Representatives of government, finance, the building industry, and private groups have recently expressed great concern about the situation facing Negroes and other minorities in housing. Their increased interest has encouraged us to bring the results of our research last year up to date to that they might be shared with all those whose activities, opinions, and policies might affect a change in the situation.

Enclosed is a statement representing the results of our findings. We believe that little is currently being done to achieve what we feel to be the desired results. We feel that the problem is more one of imaginary fears than it is one of practical reality. We are certain that America needs to correct the injustices described in our study if it is to solve the problem of unfair discrimination, if it is really to live up to its belief in equal opportunity for all Americans, and if it is to maintain any leadership in a world which is predominantly nonwhite.

We urge you to read the enclosed material. You may find it useful in sharing with your associates. If you have comments on it we would certainly welcome

them. If it would be helpful to discuss these matters face to face we will do everything possible within the limits of time to share with you further our experience and concerns.

Sincerely,

RICHARD K. BENNETT,  
*Secretary, Community Relations Program.*

Mr. BARRETT. Now the committee will hear the National Association of Social Workers; Mr. Bosworth.

Will you identify yourself, Mr. Bosworth?

Mr. BOSWORTH. Yes; I will take less than 5 minutes.

**STATEMENT OF FRANCIS BOSWORTH, ON BEHALF OF THE PHILADELPHIA AREA CHAPTER OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS**

Mr. BOSWORTH. I am Francis Bosworth, and I am here on behalf of the Philadelphia area chapter of the National Association of Social Workers.

Certainly it is no novelty for social workers to be concerned with the problems of housing and testifying on behalf of raising the housing standards of our people. As a profession we have more firsthand knowledge of bad housing and of all the evils which are associated with bad housing than any other group in the country. We do not presume to say that any one problem is the No. 1 social problem, but we do know that bad housing cuts across all other social ills such as mental health, delinquency, breakdown of family living, unemployment, social notice, and the specialized problems of children and the aged.

For years social workers have pointed up the evils of bad housing and the need for government action at the local, State, and Federal levels. However, the problem is now so great that the Federal Government is the only organization with the authority and the resources to take leadership. As our housing problem has grown more acute throughout the depression and the Second World War, social workers have found themselves more involved in the many plans and programs to bring relief. Today virtually all social workers give some part of their time in helping to effect housing programs and many agencies such as settlements, family counseling agencies, and visiting nurses have housing specialists on their staff or use such specialists in their day-to-day operations and for staff training.

We have long been an advocate of low-rent public housing and we have despaired in seeing this program emasculated and watered down. Actually, it never was big enough.

Senator Maybank said several years ago that if we had been able to maintain the maximum housing program which existed under the administration of President Truman, it would have taken about 120 years to house all of the families of the United States according to minimum standards of living. We are not speaking only of low-rent public housing but also of the various credit aids and help for middle-income groups.

Our first concern at this time is that the Federal housing program is not achieving the goal which President Eisenhower set. This congressional committee is acquainted with the volumes of testimony on behalf of the need of housing for our low-income people and

the value of eradicating slums and housing people in decency. The committee also knows the concern that social workers have for this problem and the many times we have gone on record in its behalf.

While urging that all this be effected, we are especially anxious today to urge that this committee explore the Federal instruments for assisting the lower middle group who would not be eligible for low-rent public housing. These people are renters or owners of single and multiple dwelling houses which are deteriorating rapidly because of the neighborhoods in which they are located and for lack of needed repairs and improvements. While we need a large-scale attack to arrest blight and save these neighborhoods, we also need an instrument for helping and encouraging the individual property owner to make these repairs and prevent these houses from becoming the slums of tomorrow. These areas must be certified for redevelopment and conservation, and subsidy is needed to effect an overall plan to lower density, prevent nuisance industry, create parks and playgrounds and the many factors which can make these neighborhoods desirable places in which to live.

In addition to this overall plan in public improvements which will raise the value of our cities and prevent blight is the relief we must furnish to the individual homeowner and landlord. This need not be outright subsidy but should come in the form of federally guaranteed loans for small house improvements. Within a conservation or renewal area a homeowner should be able to go to his neighborhood bank and borrow money to bring his house up to standard. I feel sure that our cities would recruit panels of architects and builders who would be willing to give their time on advising homeowners and certifying the need of repair. With such certification, the owner should then be able to borrow the needed amount from the neighborhood bank which, in turn, should be insured by the Federal Government to at least 90 percent of repayment. As many of these amounts would be small, the big lending agencies would do little to press for such loan service, but this could mean a great deal to the small banks and would allow us to conserve our borderline neighborhoods through self-help.

It is essential that measures be taken to preserve the homes in these conservation and renewal areas while there is still leadership remaining. Generations of leadership have been siphoned off from neighborhoods on the downgrade and any encouraging movement to save these neighborhoods will arrest this flight of leadership. Searching out such leaders, developing them, and helping them to take responsibility in helping to rebuild our cities, is one of the services social workers can offer in this plan. Within our agencies and as concerned individual citizens we can give our skill, our time, and the resources of our agencies to this vital part of neighborhood renewal.

Such a plan would mean that the elaborate and expensive processing now necessary for Federal insurance of home purchase would have to be reduced to some kind of blanket certification for a certified area or neighborhood.

Very little of the Federal program thus far has sifted down to benefit the lower middle class people. I am speaking especially of families whose present income does not allow them to purchase homes. For instance, the 600,000 families earning \$3,000 or less constitute a

very substantial part of our people. Such a family is not considered a good mortgage risk for a \$7,000 house even if it were available. Yet they could meet payments on an amortized loan of a smaller amount which would allow them to put their house in a first-class condition. The alternative to some such relief is that these houses will decline and depreciate, their present tenants leave, and the taxpayers will finally pay a very substantial bill for demolition and slum clearance with no possibility of repayment.

I trust the committee will concern itself for the relief of such families and recommend measures which will arrest the rapid spread of blight which threatens to cover most of the old sections of our metropolitan cities.

Thank you.

MR. BARRETT. Thank you, Mr. Bosworth.

Do you desire to submit your paper?

MR. BOSWORTH. I have already.

MR. BARRETT. Thank you very much for speeding it up.

The next witness will be Julian Goldberg of the American Civil Liberties Union.

Mr. Goldberg, will you identify yourself for the record?

MR. O'NEILL. Mr. Chairman and members of the committee, my name is George J. O'Neill, substituting for Mr. Goldberg, who couldn't attend.

#### STATEMENT OF GEORGE J. O'NEILL, AMERICAN CIVIL LIBERTIES UNION, GREATER PHILADELPHIA BRANCH

MR. O'NEILL. I am an attorney associated with the American Civil Liberties Union, Greater Philadelphia Branch. We joined with the Fellowship Commission and the other organizations in presenting to you the statement just given by Dr. William H. Gray. We also join these other civic organizations in welcoming the visit of the Subcommittee on Housing of the House Committee on Banking and Currency to Philadelphia, and we have been gratified at your interest in and comprehension of the housing problems facing our city.

We have asked to present separate testimony because we wish to lay before this committee a specific proposal designed to carry out the recommendations of Mayor Clark and Mr. Gray, that FHA and VA incorporate an "open" occupancy policy.

We share the views expressed by these earlier witnesses that FHA and VA benefits should be given to housing which is available for the occupancy of all citizens without regard to race.

While the Federal Housing Administration has considered as one of its chief functions in the past that of minimizing the risk involved in the various transactions which it insures, nevertheless in reporting on the housing bill of 1954, the Senate Committee on Banking and Currency made it clear that these financial objectives—

should not obscure the fact that the first responsibility of Congress, and that of any agency administering part or all of the housing program, is to protect and preserve the public interest, in general, and the rights of homeowners, in particular.

That the availability of housing for minority groups is a matter of public concern has already been made clear by Congress, which declared by statute—

All citizens of the United States shall have the same right, in every State and Territory, as is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold, and employ real and personal property.

President Eisenhower also declared in his message to Congress on housing, on January 25, 1954:

The development of conditions under which every American family can obtain good housing is a major objective of national policy. It is important for two reasons. First, good housing in good neighborhoods is necessary for good citizenship and good health among our people. Second, a high level of housing construction and vigorous community development are essential to the economic and social well being of our country. It is therefore properly a concern of this Government to insure that opportunities are provided every American family to acquire a good home.

In view of these very clear statements of policy, we believe it incumbent upon the Federal Housing Administration and the Housing and Home Finance Agency to adopt regulations putting that policy into effect.

Our legal research, the results of which are in the memorandum now being distributed to the committee, convinces us that FHA has the authority to regulate effectively on segregation and discrimination, and that existing legislation and regulations are ineffective. The outlawing of written agreements providing for discrimination—which is the gist of the current regulations—does not offer a practical solution.

We suggest that within the powers conferred upon the administrators of the National Housing Act there may be employed a number of devices which can, if the administrators so will it, effectively end the national scandal in which minorities are taxed to provide housing funds the benefits of which are not available to all citizens equally and impartially without regard to race or color. One type of regulation is submitted herewith. This is not an exclusive remedy; there are probably many others which might be effective. The heart of our proposal is that FHA participants who engage in discriminatory practices be refused the benefits of subsequent participation in the FHA program.

I would like to read the proposed regulations. [Reading:]

Any person or firm (including but not limited to any individual, partnership, association, trust, or corporation) participating (either directly as an insured lender or as a borrower, or indirectly as a builder, contractor, seller or dealer, or salesman, or sales agent for a builder, contractor, seller, or dealer) under title I, II, VI, VII, or IX of the National Housing Act, who shall discriminate against any person on the basis of race, religion, or national origin in connection with any transaction which is an integral part or merely preliminary to the lending or borrowing of loans and mortgages insured or to be insured under the National Housing Act, or which is an integral part or merely preliminary to the sale, leasing, granting of title, granting of possession, or other disposition of property which is the subject matter of a mortgage or loan insured or to be insured under the National Housing Act, shall be refused the benefits of participation under the aforesaid titles after proceedings as provided by the National Housing Act, section 512, and such person or firm shall not be permitted to participate thenceforth until a bond in a sum to be fixed by the Commissioner shall be filed with the Commissioner conditioned that said person or firm shall not discriminate in the future

At present this country is in a housebuilding boom of historical magnitude. The environment is being created today in which democracy will either thrive or degenerate. As the principal administrators of the National House Act, HHFA and FHA have the duty to use the powers given them to foster that kind of environment in which

democracy is most likely to endure. That environment is one as free of discrimination and segregation as it is humanly possible to attain.

Thank you very much.

Mr. BARRETT. Mr. Ashley?

Mr. ASHLEY. No; I have no questions.

Mr. BARRETT. Thank you very much, Mr. O'Neill, for speeding up your testimony.

(Further statement of Mr. O'Neill is as follows:)

MEMORANDUM. THE AUTHORITY OF THE FEDERAL HOUSING COMMISSIONER TO PROMULGATE REGULATIONS DENYING PARTICIPATION IN PROGRAMS ADMINISTERED UNDER THE NATIONAL HOUSING ACT TO PERSONS AND FIRMS PRACTICING DISCRIMINATION AND SEGREGATION IN HOUSING DISTRIBUTION AND FINANCE

Prepared for the American Civil Liberties Union, Greater Philadelphia Branch, by George J. O'Neill, Philadelphia, Pa.

The President's Reorganization Plan No. 3, effective July 27, 1947,<sup>1</sup> consolidated 7 Government agencies and their functions into the 3 constituent agencies of the Housing and Home Finance Agency. These three agencies are the Federal Housing Administration, the Home Loan Bank Board, and the Public Housing Administration. The Housing and Home Finance Administrator, who heads the HHFA, has the responsibility for the general supervision and coordination of the functions of the constituent agencies.<sup>2</sup> He also serves as Chairman of the National Housing Council, composed of the heads of the constituent agencies of the HHFA and the Administrator of Veterans' Affairs, the Chairman of the Board of Directors of the Reconstruction Finance Corporation, the Secretaries of Defense, Agriculture, Commerce, Labor, and Health, Education, and Welfare.<sup>3</sup> The purpose of the National Housing Council is the promotion of effective use of the housing functions and activities of its member departments and agencies in furtherance of the housing policies and objectives established by law, facilitation of consistency between such housing function and activities and the general economic and fiscal policies of the Government, and for avoiding duplication or overlapping of such housing functions and activities.<sup>4</sup> With respect to the Federal Housing Administration, the Housing and Home Finance Administrator has the same relationship as the Federal Loan Administrator formerly had. The Administrator may make such rules and regulations as may be necessary to carry out his functions, powers, and duties.

The Federal Housing Administration was created by the National Housing Act approved June 27, 1934, to encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance, and to exert a stabilizing influence on the mortgage market. The Federal Housing Commissioner heads this agency. The FHA provides insurance against loss on several types of loans made by private lending institutions and insures yields on investments in rental housing for families of moderate income, where no mortgage financing is involved. The FHA does not make loans and does not build housing.

The principal activity of the agency is the insurance of mortgages on 1- to 4-family homes under title II, section 203, of the National Housing Act. The lending agency's guaranty against loss is supported by premiums collected by the Federal Housing Commissioner, but also backed by Governmental guaranty against loss to some extent if the premiums fixed by the law should be inadequate.<sup>5</sup> It is under this program that the FHA has its greatest impact on

<sup>1</sup> 12 F R 4981, 61 Stat. 954, 5 U S C A, sec 133 y-16.

<sup>2</sup> Reorganization Plan No 3, sec 5 (b), 5 U S C A, sec 133y-16; U. S. Government Organization Manual, 1954-55, revised as of July 1, 1954, p 406

<sup>3</sup> U S Government Organization Manual, supra, pp 404, 407; Reorganization Plan No. 3, sec 6, as amended, 12 U S C A, sec. 1701c (a).

<sup>4</sup> See note 3, supra

<sup>5</sup> MacLean, *Mortgages Under Title II of the National Housing Act*, 21 A. B. A. J. 217, 218. The statute, 12 U S C A, sec 1708, reads: "MUTUAL MORTGAGE INSURANCE FUND. There is hereby created a Mutual Mortgage Insurance Fund (hereinafter referred to as the 'Fund'), which shall be used by the Commissioner as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under section 1709 as hereinafter provided and there shall be allocated immediately to such fund the sum of \$10,000,000 out of funds made available to the Commissioner for the purposes of this subchapter."

national housing distribution and therefore this memorandum will be primarily concerned with the Commissioner's authority to regulate under title II.

Any financial institution approved by the Commissioner as eligible mortgagee may apply for mutual mortgage insurance under section 203 of the National Housing Act. The application form is divided into four parts, namely: (1) the mortgagee's application setting forth the loan terms, among other things; (2) the mortgagor's statement setting forth the purpose of the loan, estimated settlement requirements, his employment status and financial position; (3) the mortgagor's property description and (4) instructions setting forth the exhibits required with the application, the financial requirements for closing and the allowable charges by the mortgagee. The mortgagor is required to show financial ability to pay all proper charges in connection with the construction or purchase and the closing of the loan.

On receipt of the mortgagee's application for insurance, an underwriting analysis is made of the proposed loan by the technical staff. Upon determination that the mortgagor and the property offered as security conforms with the standards and requirements prescribed by the Commissioner, a commitment for insurance is issued to the applicant mortgagee setting forth the terms and conditions under which the loan will be endorsed for insurance. Upon return of the original commitment properly executed, together with the documents specified therein, the original credit instrument is endorsed for insurance by the execution of the endorsement panel, in the name of the Commissioner by an authorized agent.<sup>6</sup>

The "operative builder," that is one who builds dwellings for the purpose of selling them, benefits under title II through the issuance by FHA of the commitments or agreements to insure mortgages on buildings when completed.

"These commitments are of three kinds and contemplate three situations: First, where a definite purchaser has been procured in advance who will become the mortgagor; second, a commitment to an unknown buyer; and, third, to the builder as mortgagor, when he can show that with his own capital he will be able to finance any part of the cost not covered by the proposed mortgage and will be able to carry the mortgage on a reasonable number of vacant or unsold dwellings, and that the project is economically sound.

"Lending institutions must determine for themselves the extent of the temporary financing which they will grant. They will take into consideration the following points:

"Where the commitment to a known buyer has been obtained, a building loan will be readily available. The lending agency in this case has the assurance of refunding the temporary loan by an insured mortgage as soon as the building is completed. Consequently the personal credit of the builder is not a vital consideration.

"Where the commitment is to an unknown buyer, the situation is entirely different and the granting of the building loan depends almost entirely upon the lender being satisfied as to the personal credit of the builder and the probability of a sale. These matters the lender must determine upon its own responsibility. While it is assured of refunding if and when the property is sold to a qualified mortgagor, the lender must decide for itself whether the builder is financially able to carry the property and the building loan for an indefinite period.

"When the commitment has been issued to a builder, as a prospective mortgagor, temporary financing will be easily obtained. In this case the lender is assured both as to time and credit. The FHA has assumed the burden before issuing the commitment, of determining whether the builder is able to carry as many properties as he has obtained commitment for. The building loan is sure to be refinanced as soon as the construction is completed."<sup>7</sup>

Section 611 of title VI authorizes the insurance of mortgages, including construction advances, on projects of 25 or more single-family dwellings. Indi-

<sup>6</sup> 24 C. F. R., sec. 200.4. The authority cited by FHA for the general regulations contained in 24 C. F. R. secs. 200.27 to 200.27, is sec. 2, 48 Stat. 1246 as amended, 12 U. S. C. and Sup. 1703: "INSURANCE OF FINANCIAL INSTITUTIONS (a) The Commissioner is authorized and empowered upon such terms and conditions as he may prescribe to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies and other such financial institutions, which the Commissioner finds to be qualified by experience or facilities and approves as eligible for credit insurance against losses which they may sustain as a result of loans and advances of credit. \* \* \* (See 24 C. F. R. at p. 101.)

<sup>7</sup> MacLean, *supra*, note 11, at p. 219.

vidual mortgages covering individual dwellings may also be insured under 611 upon release of the individual dwellings from the blanket mortgage.<sup>8</sup>

From the foregoing account it is apparent that the mutual mortgage insurance program, while directly benefiting mortgagees by insuring their investments against loss, also, indirectly benefits the builder by enabling him to obtain financing which might not otherwise be available to him. It is also apparent that sellers other than builders benefit under the program by the creation of a wider market for housing as consumer-mortgagors are enabled to obtain mortgage loans they could not have obtained without such credit risk protection for the mortgagees. The consumer-mortgagors have benefited not only in finding purchase-money more easily obtainable, but also by lower interest rates and longer terms on their mortgage loans. These benefits are made possible by the Federal Government bearing the greatest portion of the risk attendant to mortgage financing.

Quite naturally, the Federal Housing Administration has considered its chief and almost its only function in the past as one of minimizing the risk involved in the various transactions which it insures, so as to preserve and perpetuate the mutual insurance fund. Thus the bulk of the substantive regulations promulgated by the FHA under title II are concerned with risk elements such as the quality of the secured premises, the credit standing of the mortgagor, the provisions of the mortgage instrument and so forth. While conservation of the fund is no doubt a duty of prime importance to view this as the sole function of the Administration is to misinterpret the intent of Congress. The Senate Committee on Banking and Currency, in reporting the housing bill of 1954, flatly stated:

"While your committee has included a number of tightening amendments and safeguards against possible abuses and irregularities in the administration of the various housing programs, it feels that there is a need for a change in the approach or philosophy of administration that the Federal Housing Administration appears to have manifested thus far. While naturally and properly the FHA should be concerned with protecting its insurance fund, the builder and the mortgagee against loss, and encouraging profitable programs of construction and while your committee fully appreciates, as it has stated in the opening paragraphs of this report, the importance of maintaining a high level of housing production, these objectives should not obscure the fact that the first responsibility of Congress, and that of any agency administering part or all of the housing program, is to protect and preserve the public interest, in general, and the rights of homeowners, in particular. It is your committee's considered opinion, and unless contrary views are expressed or amendments are offered that is the intent of Congress that the HHFA and its constituted agencies in their administration of the program which they are authorized to carry out shall at all times regard as a primary responsibility their duty to act in the interest of the individual home purchaser and in so doing to protect his interest to the extent feasible." [Italic supplied.]

The committee of conference in connection with the same bill, stated in its report, after mentioning that FHA procedures have operated primarily for the benefit of the Government and its insurance funds:

"Nevertheless, the Congress has consistently recognized and intended, that, notwithstanding the fact that technically there is no legal relationship between the FHA and the individual mortgagor, these FHA procedures also operate for the benefit and protection of the individual home buyer. However, there has apparently been a strong tendency on the part of the FHA to view these procedures as operating exclusively for the protection of the Government and its insurance funds. The committee of conference does not believe such a view to be consistent with the intent of the Congress in respect of the basic legislation relating to the FHA in the past, and, as to the future, desire to make it abundantly clear that such is not the case.

"In this connection, the committee of conference calls attention to two specific provisions included in the conference substituted which clearly indicate the intent of the Congress that the protection of the FHA system shall also inure to the benefit of the individual home buyers."<sup>9</sup>

The report then mentions the provision requiring the builder or seller to deliver warranty to the buyer that the home is constructed in substantial conformity with the plans and specifications on which the FHA valuations of such

<sup>8</sup> 12 U. S. C. A., sec. 1746.

<sup>9</sup> Conference Report 2271, 83d Cong., 2d sess (1954), as reported in 15 U. S. C. Cong. and Admin News, p. 4710 et seq.



home was based and the provision that the builder or seller shall agree to deliver prior to the execution of a contract of or sale of the property, a written statement to the purchaser setting forth the amount of the FHA's appraised value of the property. With reference to the latter provision, the Senate report stated:<sup>10</sup>

"Your committee was surprised to learn that the FHA did not make its appraisals available to purchasers of a new home, prior to the sale, another instance of FHA's apparent feeling of nonresponsibility toward the consumer." [Italic supplied.]

The foregoing quotations constitute a clear mandate, as well as criticism, from the most recent Congress to the FHA to redirect its administration of the national housing program so as to "act in the interest of the individual home purchaser and in so doing protect his interest to the extent feasible." The FHA should keep in mind its duty to protect and preserve the public interest, in general and disregarding the lack of legal relationship with the mortgagor, FHA procedures should operate for the "benefit and protection of the individual home buyer."

Is segregation or discrimination in housing a matter to which committees of Congress had reference in the foregoing declarations? In all probability the committees did not have minority problems specifically in mind when these reports were written. They were addressing themselves to the broader problem of protection of all housing consumers and the public as a whole. But the axiom is that the whole equals the sum of its parts; and therefore, to give effect to the intent of Congress, the HHHFA and FHA must direct its attention to the problems of all consumers arising out of housing distribution with which the FHA has a connection, including the problems of minorities. Members of minority groups, as well as other persons, constitute "individual home purchasers" and "consumers" within the language of Congress.

The interest of the individual member of a minority group in having housing readily accessible to him for purchase without regard to his minority characteristics is quite apparent. His interest in having housing not only accessible but also not segregated or set apart from other groups of persons is so natural as to be obvious. That these interests are also matters of public concern has been recognized by the United States Supreme Court<sup>11</sup> and Congress. Congress, by statute<sup>12</sup> has declared: "All citizens of the United States shall have the same right, in every State and Territory, as is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold, and employ real and personal property."

The President also declared in his message to Congress on housing on January 25, 1954:<sup>13</sup>

"The development of conditions under which every American family can obtain good housing is a major objective of national policy. It is important for two reasons. First, good housing in good neighborhoods is necessary for good citizenship and good health among our people. Second, a high level of housing construction and vigorous community development are essential to the economic and social well-being of our country. It is, therefore, properly a concern of this Government to insure that opportunities are provided every American family to acquire a good home." [Italic supplied.]

National policy with respect to such interests and rights having been so clearly and unmistakably set forth by the judicial, legislative, and executive branches of the Government, it is incumbent upon the HHHFA and FHA to implement that policy "to the extent feasible."<sup>14</sup>

It is feasible for the FHA to promulgate a regulation similar to the one accompanying this memorandum. Congress has provided:<sup>15</sup>

<sup>10</sup> See note 15, supra. 15 U. S. C. Cong. and Admin. News at p. 4623.

<sup>11</sup> *Brown v. Board of Education of Topeka* (347 U. S. 74 S. Ct. 686 (1954)), which held that segregated educational facilities are inherently unequal, depriving minority groups plaintiffs of the equal protection of the laws guaranteed in the 14th amendment. The Court recognized the importance of education to democratic society and gave controlling weight to the fact that segregation, in and of itself, had an adverse effect on public education. In a comparison case, *Bolling v. Sharpe* (347 U. S. —, 74 S. Ct. 693 (1954)), the court held that segregation in the schools of Washington, D. C. violates the due-process clause of the 5th amendment, since segregation in public education is not reasonably related to any proper governmental objective, and therefore is an arbitrary deprivation of liberty. Cf. *Hurd v. Hodge* (334 U. S. 24, 68 S. Ct. 847 (1948)); *Shelley v. Kraemer* (334 U. S. 1, 68 S. Ct. 836 (1948)).

<sup>12</sup> Rev. Stat., sec. 1978, 8 U. S. C. A. 42.

<sup>13</sup> Quoted in S. Rept. 1472, supra, 15 U. S. C. Cong. and Admin. News 4605.

<sup>14</sup> See note 15 supra.

<sup>15</sup> 12 U. S. C. A. sec. 1702.

"In order to carry out the provisions of this subchapter I and subchapters II, III, VI, VIII, and X of this chapter, the Commissioner may establish such agencies, and prescribe their authorities, duties, responsibilities."

With respect to title II, the National Housing Act states:<sup>18</sup>

"The Commissioner is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this subchapter II."

The FHA has found it within its power to issue regulations concerned with discrimination and segregation. It has cited the above section of the act as its authority for the present regulations under title II dealing with racial discrimination. These regulations, which are typical of regulations on this subject found under all other titles or programs of the act, read as follows:<sup>17</sup>

**"MUTUAL MORTGAGE INSURANCE ELIGIBILITY REQUIREMENTS OF MORTGAGE COVERING 1- TO 4-FAMILY DWELLINGS**

**"ELIGIBLE MORTGAGES**

"221.29. MORTGAGE COVENANT REGARDING RACIAL RESTRICTIONS. The mortgage shall contain a covenant by the mortgagor that until the mortgage has been paid in full, or the contract of insurance otherwise terminated, he will not execute or file of record any instrument which imposes a restriction upon the sale or occupancy of the mortgaged property on the basis of race, color or creed. Such covenant shall be binding upon the mortgagor and his assigns and shall provide that upon violation thereof the mortgagee may, at its option, declare the unpaid balance of the mortgage immediately due and payable.

**"ELIGIBLE MORTGAGORS**

"221.37. RACIAL RESTRICTIONS CERTIFICATES. A mortgagor must certify that until the mortgage has been paid in full, or the contract of insurance otherwise terminated he will not file for record any restriction upon the sale or occupancy of the mortgaged property on the basis of race, color or creed or execute any agreement, lease or conveyance affecting the mortgaged property which imposes any such restriction upon its sale or occupancy

**"ELIGIBLE PROPERTY**

"221.42. RACIAL RESTRICTION ON PROPERTY. A mortgagee must establish that no restriction upon the sale or occupancy of the mortgaged property on the basis of race, color, or creed, has been filed of record at any time subsequent to February 15, 1950, and prior to the recording of the mortgage offered for insurance."

If FHA has the authority to regulate on this subject at all, it certainly has the power to issue regulations which are effective. However, the present regulations are largely ineffectual. The three quoted regulations do not forbid racial discrimination and segregation; but merely forbid written agreements to discriminate or segregate. Thus discrimination and segregation without any agreement or by oral agreement is permitted to continue unaffected. Regulation 221.29 provides that if the mortgagor does execute or file of record a prohibited restrictive instrument, the mortgagee may, at its option, declare the unpaid balance of the mortgage immediately due and payable. However, the mortgagee in all probability would have no interest whatever in enforcement of such a provision, even if it could have any occasion for ascertaining, once the mortgage transaction was completed, and in the absence of a refinancing or other cause of title search, whether or not such a restrictive instrument has been executed or recorded. Regulation 221.37 provides for a certification by the mortgagor that he will not execute or record a prohibited restrictive instrument, but does not provide for punishment or penalty in the event of a subsequent breach of the certification. Regulation 221.31 highlights the ineffectiveness and total impotency of the present regulations. It places the burden on the mortgagee of establishing that no prohibited restriction has been recorded as to the proposed property within certain dates. However, since the deci-

<sup>18</sup> Sec 211. 52 Stat 23, 12 U. S. C. A. 1715b, which is cited by the FHA as its authority for the regulations dealing specifically with mutual mortgage insurance which are contained in 24 C. F. R. secs 221.1 to 221.45. See 24 C. F. R. (1954 Cum. Pocket Supp.), p 73

<sup>17</sup> 24 C. F. R. sec. 221.29, sec 221.37, sec. 221.42.

sions in *Shelley v. Kraemer*<sup>38</sup> and *Hurd v. Hodge*<sup>39</sup> such restrictions would not be given effect by the courts in any event, and therefore depend on voluntarily compliance with their provisions. Such voluntary conduct does not require a recorded instrument to incite it. In fact, most practices of discrimination and segregation today depend on conduct which is either voluntary or privately coerced through some means other than the sanction of the law of contracts or property.

The aim of the proposed regulation is to eliminate any and all practices of discrimination and segregation in housing distribution by any participant in the National Housing Act's insurance program regardless of the form in which the practice presents itself or is accomplished. The opponents of such a regulation are sure to advance the argument that the Federal Government is without power to forbid discrimination and/or segregation by private individuals and that it follows that the FHA cannot regulate on this subject in order to prevent such conduct by private persons. This argument might have some merit if the proposed regulation was intended to apply to all persons engaged in housing distribution. But such is not the case. The proposed regulation is limited in its application to participants in the programs administered by FHA. Therefore, no private person or firm need submit to the proposed regulation except by his or its voluntary act of choosing to participate in FHA programs.

No private person or firm has a vested right to participate in these programs. Any participant may be denied the privilege of participating in accordance with the provisions of section 512,<sup>40</sup> which provides:

"SECTION 512. Notwithstanding any other provision of law, the Commissioner is authorized to refuse the benefits of participation (either directly as an insured lender or as a borrower, or indirectly as a builder, contractor or dealer, or salesman or sales agent for a builder, contractor or dealer) under title I, II, VI, VII, VIII, or IX of this act to any person or firm (including but not limited to any individual partnership, association, trust or corporation) if the Commissioner has determined that such person or firm (1) has knowingly or willfully violated any provision of this act or of title III of the Servicemen's Readjustment Act of 1944, as amended or of any regulations issued by the Commissioner under this act or by the Administrator of Veterans' Affairs under said title III or (2) has, in connection with contracts or financing relating to such work violated Federal or State penal statutes."

Section 512 is thus available to the Commissioner to provide effective enforcement of the proposed regulation, should it be adopted by the FHA, and it cannot be argued that the agency does not have the machinery to enforce such a regulation. The proposed regulation could be enforced in the same fashion as other regulations of abuses will be enforced under section 512.

At present this country is in a house building boom of historical magnitude. The environment is being created today in which democracy will either thrive or degenerate.<sup>41</sup> It is hardly necessary to point out the impact of the National Housing Act on the housing distribution system of our country. As the principal administrators of the National Housing Act, HHFA and FHA have the duty to use the powers given them to foster that kind of environment in which democracy is most likely to endure. That environment is one as free of discrimination and segregation as it is humanly possible to attain.

Mr. BARRETT. The committee will hear Americans for Democratic Action, Mr. Robert Greenfield.

Will you properly identify yourself for the record, please, Mr. Greenfield?

<sup>38</sup> 334 U. S. 1, 92 L. Ed. 1161, 68 S. Ct. 838 (1948).

<sup>39</sup> 334 U. S. 24, 92 L. Ed. 1187, 68 S. Ct. 847 (1948).

<sup>40</sup> Public Law No. 560, 83d Cong., 2d sess., sec. 132 (August 2, 1954, effective October 1, 1954), as reported in 15 U. S. C. Cong. and Admin. News 4494.

<sup>41</sup> The U. S. Supreme Court cited the following authorities on the sociological, psychological, and economic effects of racial discrimination in the Brown case, supra, note 11:

1. K. B. Clark, *Effect of Prejudice and Discrimination on Personality Development* (Midcentury White House Conference on Children and Youth, 1950).

2. Witner and Kotinsky, *Personality in the Making*, ch. VI (1952).

3. Deutscher and Chein, *Psychological Effects of Enforced Segregation: A Survey of Social Science Opinion* (26 J. Psychol. 259 (1948)).

4. Chein, *What Are the Psychological Effects of Segregation Under Conditions of Equal Facilities?* (3 Int. J. Opinion and Attitude Res. 229 (1949)).

5. Frameld, *Educational Costs, in Discrimination and National Welfare* (McIver, edition 1949), 44-48.

6. Frazier, *The Negro in the United States* (1949), 674-681.

7. Myrdal, *An American Dilemma* (1944).

**STATEMENT OF ROBERT K. GREENFIELD, PHILADELPHIA  
CHAPTER, AMERICANS FOR DEMOCRATIC ACTION**

Mr. GREENFIELD. My name is Robert K. Greenfield. I am an attorney practicing in Philadelphia, and I am associated with the Philadelphia Chapter of the Americans for Democratic Action.

Our chapter wants to be recorded as supporting the position that has been stated by the witnesses who preceded me today before this committee. Our chapter is very mindful of the fact that in Philadelphia, as we believe in other big cities throughout the country, there has been a marked trend of diminishing percentage of minority groups living in the suburban areas where the big housing developments are taking place, and an increasing percentage of minority groups within the city proper.

We believe that this trend is a reflection of the fact that the new construction taking place in the suburbs is not open, and we believe that the solution to it must be found in several places of which one very important one is legislation at the level of FHA and VA financing. Unless measures are adopted which will make it difficult, if not impossible, for developers to engage in discrimination in the sale of houses, we believe that this trend will continue to have serious and damaging propositions. We are not unmindful of the views sometimes expressed, more often not expressed, but nevertheless held by many developers, builders, financial people, that if open housing is enforced upon them it will interfere with the successful operation of their business. We do not, however, believe that they are right. From the experience that we have seen in other areas where legislation has stepped in and has made this kind of discrimination unlawful we are convinced that the businessmen who so think are in error, that in fact their business will not be adversely affected by such legislation.

On the contrary, it will, if anything, tend to stimulate the development along the lines of constructive and sound business, and therefore we want to be recorded as supporting the position taken here by the other witnesses this morning.

Mr. BARRETT. Thank you.

Mr. GREENFIELD. Thank you.

Mr. BARRETT. The next witness will be Fellowship House, Morris Milgram.

Mr. MILGRAM. I have no written statement.

Mr. BARRETT. Will you properly identify yourself.

Mr. MILGRAM. Yes.

**STATEMENT OF MORRIS MILGRAM, FELLOWSHIP HOUSE**

Mr. MILGRAM. Yes, my name is Morris Milgram and although Fellowship House has asked me to appear, I am speaking for myself as a builder.

Mr. BARRETT. May I just interpose this one point: Of course we are trying to be as lenient as we can with time. We have several witnesses, and we are going to try to extend you 10 minutes.

Mr. MILGRAM. Thank you very much. I will keep to the time exactly.

I am the executive vice president of the Concord Park Homes, Inc., now building a development of 140 houses just outside of Philadelphia

in Treose, Pa. We are selling our houses without racial origins discrimination, and the pattern of occupancy has developed 55 percent of the people living there are white, 45 percent are Negro.

The credit restrictions now in operation have come at a time when open occupancy housing as represented by our development, which is the first of its kind in the country, the first development of private single homes being sold really without regard to race or creed, and being occupied by both whites and Negroes. These credit restrictions coming at a time when the movement to open occupancy is just beginning serves not only to prevent Negroes who want homes from getting them, but also to prevent whites who feel that they want homes in areas where every man can live.

From 1945 to 1953 in Philadelphia there were only 45 new homes available to Negroes, while at the same time 40,000 new homes were built and available to whites. During that same period approximately 20,000 old houses were bought by Negroes under more severe credit restrictions than applied to whites, shorter term mortgages, higher downpayments, fantastic fees for securing mortgages, an indication of the existence of a terrifically large market.

We have found that this market of Negroes wanting homes is very great. We have no shortage of Negro purchasers.

To give you an idea of the demand for open occupancy housing as it differs from the demand for Negro housing, an Army captain walked into my office one day last year and said, "I want you to know I am buying a house from you not because it is housing available to Negroes but because it is housing available to all people." He said, "I want to bring up my boy as a man and not as a second-class citizen." His boy happened to be a Korean war orphan that he had adopted during his service in Korea.

Another instance of the same thing developed when another Negro purchaser driving home with me from the settlement of his house and discussing the advantages of one-story living, said, "I am not going to live longer because your house is a one-story house, and I don't have steps to climb; I am going to live longer because for the first time in my life I have the will to live." I want to associate myself with the very important statements made by Dr. Gray and Robert Greenfield, and the American Civil Liberties Union representative with special reference to the need for the Government making clear its position, not purely out of justice to Negroes and to whites to want to live in open occupancy housing, but partly to make clear to people all over the world that we Americans are sincere in our determination to practice what we preach overseas.

I think it would be worth more than many divisions in the worldwide struggle against communism to affirm in law our belief in the essential dignity of man, and to refuse to give Government financial assistance in the form of mortgage insurance to builders who discriminate.

I have builder friends who tell me that if the law were that way they would be delighted, but as long as the law permits them to discriminate it is extremely difficult for them to change from the accepted pattern of all-white housing.

Now, I want to say that I have not been making any financial sacrifice to build housing available to all people. There is a demand from

whites as well as from Negroes, and our company is a profitmaking concern, and our financial statement shows that we will make a reasonable profit on the houses we are building. We think that through example we can start the ball rolling, but we need the assistance of Government in affirming its position.

I have taken 5 of my 10 minutes. I thank you very much.

Mr. BARRETT. Thank you very much.

The committee will recognize the Philadelphia Catholic Housing Council.

Mr. ASHLEY. Mr. Chairman, inasmuch as the witness took only 5 minutes, I would like to commend him on his very fine and inspiring statement. It is all too seldom—perhaps I shouldn't put it that way—I will simply say it is inspiring to find a gentleman who actually practices the principles in which we believe.

I would be interested in knowing the price range of the homes you are selling.

Mr. MILGRAM. In the Concord Park development our houses are \$12,000 for a basic 3-bedroom with garage model, and we have a \$13,600 model, with a powder room, fourth bedroom and storage room in addition. We have a second development known as Green Belt Knoll, Inc., under the same ownership in Philadelphia, where the same house is now open where the houses start at \$17,950 for 3-bedroom, 1½ bath houses, with cellar and go up to \$22,800 for five-bedroom, 2½ bath houses. We find no shortage of purchasers, both negro and white, for developments of this kind.

Mr. ASHLEY. Thank you very much.

Mr. BARRETT. The committee will recognize the Philadelphia Catholic Housing Council, Mr. Joseph R. Stanton.

Will you identify yourself, Mr. Stanton, for the record.

#### STATEMENT OF JOSEPH R. STANTON, PRESIDENT, PHILADELPHIA CATHOLIC HOUSING COUNCIL

Mr. STANTON. My name is Joseph Stanton. I am president of the Catholic Housing Council of Philadelphia. I will try to take just several minutes, and hit the highlights of our statement. The full text of which I have just handed to the reporter.

The Philadelphia Catholic Housing Council, a group of lay Catholics interested in contributing to the betterment of housing conditions in Philadelphia, respectfully submits this statement. The council is composed of men and women who have both a professional and nonprofessional interest in the field of housing. It is a recognized Catholic organization but does not presume to speak as an official voice of the archdiocese.

The council has two main purposes:

1. To analyze and interpret housing matters in terms of sound social principles.
2. To serve as a liaison between official agencies, parishes, and neighborhood groups.

In its review of the local housing scene and, in particular, of the impact of Federal housing programs on that scene, our council is agreed on the following points to be recommended to the committee's attention.

1. The coordination of Federal Housing programs, which was attempted in the Housing Act of 1954, was a sound step. A city's housing problems are inextricably intertwined and can be effectively dealt with only as a whole. The 1954 act was a sound step forward in the direction of this goal. Further coordination, however, is both possible and desirable; if it is to continue this trend should be expanded.

Our next point is that the workable program requirements that the Federal Government imposes on cities should include a more realistic and positive approach to neighborhoods. They should include specific neighborhood policies designed to strengthen the neighborhood and give official recognition that it is an entity, a basic unity of the city.

It is imperative that all Federal operations be of such character as to allow the development of personal and family responsibilities. Many of the present developments have taken the form of vast institutional structures which do not put and cannot foster family initiative, family identity, or contribute to family privacy. There is a very serious question whether high density multistructures permit wholesome family life. Certainly such structures limit family functions in a very obvious way. Space limitations therein make it difficult to conduct a family-centered homelife, including joint work and recreation.

Finally, I would point out that any renewal worthy of the name must take into consideration the roadblock of increasing racial segregation. Unless there is great expansion in opportunities for families to obtain decent housing without restrictions of a racial nature we are defeating our own purposes. The only way to achieve this expansion is to end the existing restrictions in the private housing market. Here we are faced with a moral responsibility.

The commendable provisions of the Federal Government to make new homes available to veterans with little or no downpayments have been consistently denied to our Negro veterans. The desire of these families to purchase property and enjoy the security of homeownership can only be fulfilled by their acceptance of second- or third-hand houses with more costly terms and additional expenses which accompany such provisions. This, in turn, limits the progress of such families in many other ways.

In conclusion, we therefore advocate a forthright provision by the Federal Government that all housing built or subsidized or insured by Federal funds, including FHA, shall be made available to all of our citizens without restrictions based on race or color.

Mr. BARRETT. Thank you very much.

Mr. STANTON. I have handed our entire statement to the reporter.

Mr. BARRETT. Thank you for speeding things up.

(The material referred to by Mr. Stanton is as follows:)

STATEMENT BY JOSEPH R. STANTON, ESQ., PRESIDENT, PHILADELPHIA CATHOLIC HOUSING COUNCIL

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In its review of the local housing scene and, in particular, of the impact of Federal housing programs on that scene, our council is agreed on the following points to be recommended to the committee's attention:

1. The coordination of Federal housing programs, which was attempted in the Housing Act of 1954, was a sound step. A city's housing problems are inextricably intertwined and can be effectively dealt with only as a whole. The 1954 act was a sound step forward in the direction of this goal. Further coordination, however, is both possible and desirable. If it is to continue, this trend should be expended.

2. Much greater attention must be given to some basic social principles in any successful effort at urban renewal. Sound social principles were almost, if not completely, ignored in the early development of our cities. The most basic physical requirements for community life and civic vitality were ignored. The result is the formless mass of the present city, a setting so huge that the individual citizen feels helpless and unable to function effectively therein. The inevitable result is civic apathy. Concern for the community and the neighborhood is thwarted because the arena in which the individual citizen may participate is so formless, so massive, and so confusing.

The attention presently being directed toward citizen participation in the urban renewal approach should be highly commended. It indicates a recognition that there is a close connection between the twin problems of urban blight and civic apathy. It indicates recognition that Government programs alone can never solve these problems. The proper function of government is to set the stage, provide the aids, and clear away the obstacles which will make it possible for citizens to share in the job.

If these things are to be accomplished, the Federal housing programs must give greater attention to these basic social principles which are necessarily involved in any successful attempt at urban renewal. More specific and positive emphasis on a neighborhood approach is essential.

The workable program requirements that the Federal Government imposes on cities should include a more realistic and positive approach to neighborhoods. They should include specific neighborhood policies designed to strengthen the neighborhood and give official recognition that it is an entity, a basic unit of the city.

The fundamental social principle involved is that citizens need a smaller arena within which to exercise their initiative and participate as active citizens. The neighborhood comprises this natural arena within a city. If we are to clear the way for citizens to act effectively we must strengthen the unity within the neighborhood and recognize its potential. Where time and decay have obliterated neighborhood consciousness, the replanning of the area should provide for the establishment of new neighborhoods with specific physical boundaries to be carved out of the old area.

The Philadelphia Catholic Housing Council therefore urges that an attempt be made to coordinate civic, religious, and other community institutions along neighborhood lines as a part of the workable program.

The key to successful urban renewal is overcoming the apathy of the urban citizen. Efforts outlined above, which would strengthen the neighborhood by giving it a sense of being with official status would give to citizens a more meaningful role in its development.

It is imperative that all Federal operations be of such character as to allow the development of personal and family responsibilities. Many of the present developments have taken the form of vast institutional structures which do not put and cannot foster family initiative, family identity, or contribute to family privacy. There is a very serious question whether high density multistructures permit wholesome family life. Certainly, such structures limit family functions in a very obvious way. Space limitations therein make it difficult to conduct a family-centered homelife, including joint work and recreation. They present difficulties in caring for aged members of the family. Such structures are relatively new in the Philadelphia housing scene. They are, undoubtedly, better than slums and have offered cleaner, more sanitary, housing opportunities for



countless families. A more humane family atmosphere is necessary for full family life and proper supervision of children. It is our earnest hope that future Federal programs will aim at achieving these greater degrees of family development.

Finally, we would point out that any renewal worthy of the name must take into consideration the roadblock of increasing racial segregation. Unless there is great expansion in opportunities for families to obtain decent housing without restrictions of a racial nature we are defeating our own purposes. The only way to achieve this expansion is to end the existing restrictions in the private housing market. Here we are faced with a moral responsibility.

The commendable provisions of the Federal Government to make new homes available to veterans with little or no downpayments have been consistently denied to our Negro veterans. The desire of these families to purchase property and enjoy the security of homeownership can only be fulfilled by their acceptance of second- or third-hand houses with more costly terms and additional expenses which accompany such provisions. This, in turn, limits the progress of such families in many other ways.

In conclusion, we, therefore, advocate a forthright provision by the Federal Government that all housing built or subsidized or insured by Federal funds, including FHA, shall be made available to all of our citizens without restrictions based on race or color.

Mr. BARRETT. The next witness will be Dr. William Wheaton, the Institute of Urban Studies.

Will you properly identify yourself for the record, Doctor?

#### STATEMENT OF DR. WILLIAM WHEATON, THE INSTITUTE OF URBAN STUDIES

Dr. WHEATON. I am William Wheaton, director of the Institute of Urban Studies, University of Pennsylvania, professor of city planning at that university, and vice president of the National Housing Conference.

Since I understand that the committee has heard much on the problem of relocation of families of low income in redevelopment areas, I am going to devote my attention today to the problem of rehousing middle-income families. I have presented to the committee 3 tables, the first of which shows the income distribution of families requiring relocation in 2 redevelopment areas in the city of Philadelphia.

In one of these areas 34 percent of the families and in the other 52 percent of the families fall into income groups which are above the levels ordinarily admitted to public housing, but below the levels which ordinarily can afford new private housing. This is some rough measurement of the extent of the need for some program of middle-income housing to accommodate families in this class.

Now these families in general divide into two groups, many of them, particularly the minorities among them, are paying now a higher proportion of their income for rent than most families do or than these families can afford. There are many of the families to be relocated, on the other hand, who could afford to pay higher rents. They now pay less than they properly could afford to pay. We do not have a careful study of these two groups, but I would like to refer to a study made in Cincinnati last year of the problem of relocating families from a blighted area there.

The second table which you have shows the percentage distribution of the rents now paid by these families, of the rents which the families feel that they can afford to pay, and of the rents which social workers

who did the interviews estimated these families ought to be able to afford to pay.

I have in my hand here a chart which perhaps you can see which shows these relationships. In the bottom line you will note there are the rents now paid by families in the slum area, the low rents are down here and the high rents are up here [indicating]. On the second line you will see there is quite a wider distribution. This is the line of rents that the families say they are willing to pay, and the third line of bars is the rents which the interviewers felt the families could afford to pay.

If I were to summarize this table, I would say that the median rent now paid by these slum families is \$21 a month. They have expressed a willingness to pay a median rent of \$32 a month. The interviewers felt that the families could afford to pay \$48 a month median rent. Now within those medians, of course, there is a wide distribution. I think that this suggests that there are many families living in slum areas who are willing to pay a higher rent and can afford to do so if something decent is offered to them, something enough better to warrant the extra payment.

I wish to call your attention to the fact that the magnitude of the increases is not enough to pay for the extensive rehabilitation of houses which now lack plumbing, if such rehabilitation must be financed on a short-term basis. But, on the other hand, it does provide an opportunity for many of these families to better their housing condition, if better housing were made available to them. While the income range suggested is generally in the level shown for families which you think of as occupying public housing, the third table brings out the income of these families who are not eligible for public housing, and shows the rents which they ought to be able to pay for housing.

You will notice that even in the lowest rent brackets, \$20 to \$30 a month, there are groups of families who are not eligible for public housing who can pay a modest rent, but rents which are far below the level of new or even decent old private housing available on the market. Of course, we can solve this relocation problem for middle-income families to some degree from the existing supply of housing.

I would call the attention of the committee to the fact, however, that mortgage loans for existing housing usually require higher down-payments and shorter amortization payments than for new homes. This severely limits the number of these families who can buy new housing.

The supply of decent middle-income rental housing has always been short. The total supply of housing has always been short and the demolitions which we face in redevelopment and highway building will further reduce this supply. This suggests to me the need for a substantial program which would provide new housing for middle-income families relocated as a result of slum clearance, rehabilitation, and conservation activities.

We need such a program to take care of relocation needs, to provide new housing in rebuilt and cleared areas, and to increase the total volume of home building to overcome housing shortages. In 1950 a bill was introduced in the Congress and passed in the Senate, S. 2246, which would have provided for a cooperative bank authorized to make low-interest-rate loans over longer periods of time, to cooper-

ative and nonprofit housing corporations, to provide just such housing.

The National Housing Conference hopes that during the next session of Congress, there will be introduced a similar bill or a bill with similar features which would permit private builders; that is, private speculative builders, nonprofit corporations, and cooperatives to build housing at price or length levels within the means of these middle-income families. We believe that the program should be extended at this time so as to bring in individual single detached homes in conventionally financed private developments.

Preference should be given to families who are living in substandard housing or who are being displaced as a result of public redevelopment or rehabilitation programs. We believe that exceedingly low downpayments will be necessary, but only on a need basis and we believe such a program could be administered through existing private lending facilities. In conclusion, Mr. Chairman, I should just like to point out that the present administration has brought forth a bold program to solve our problem of highways.

A total expenditure of \$100 billion over the next 10 years was suggested, if I recall correctly. It seems to me we need a comparable program in housing. Not a program like the roads program, which would result in a vast expenditure without any recapture of funds, but a loan program, a program of loans which would be fully repaid, perhaps at substantially lower than the market interest rate, but to solve a problem which can be solved in no other way than by a very low interest rate and very long-term program.

If I may coin a phrase, it seems to me that the issue the country faces is whether or not what is good for general houses is also good for the country.

Mr. BARRETT. Thank you, Dr. Wheaton. I am certainly sure the committee will appreciate your very fine statements, and at a later date I hope we can get more of them.

I think Congressman Ashley would like to ask a question.

Mr. ASHLEY. Of course, your reputation goes out ahead of you, Mr. Wheaton, and because you have been somewhat restricted time-wise this morning, it is certainly my hope, and I am sure I speak for the other members of the committee, that you will find it convenient, perhaps, to meet with the staff members of this committee to discuss in greater detail the positive aspects of the recommendations which you have made.

Dr. WHEATON. I certainly would be glad to, Congressman.

Mr. ASHLEY. Thank you.

(The data referred to above is as follows:)

*Family incomes in redevelopment areas in Philadelphia*

Weekly income	Distribution		Weekly income	Distribution	
	Univer- sity area <sup>1</sup>	North Allen area <sup>2</sup>		Univer- sity area <sup>1</sup>	North Allen area <sup>2</sup>
	Percent	Percent		Percent	Percent
Under \$25.....		10 8	\$65 to \$70.....	4 7	8 2
\$25 to \$30.....	7 1	4 5	\$70 to \$75.....	7 1	4 1
\$30 to \$35.....	5 8	3 9	\$75 to \$80.....	4 7	5 0
\$35 to \$40.....	3 5	2 4	\$80 to \$85.....	3 5	4 1
\$40 to \$45.....	2 4	4 5	\$85 to \$90.....	3 5	5 4
\$45 to \$50.....	10 6	5 4	\$90 to \$100.....	9 4	4 5
\$50 to \$55.....	2 4	14 9	\$100 and over.....	20 0	6 9
\$55 to \$60.....	7 1	5 6	Middle-income families <sup>3</sup> .....	34 2	51 6
\$60 to \$65.....	8 2	9 7			

<sup>1</sup> Monthly rents paid by these families were as follows.

	Percent
\$20 to \$50.....	69 3
\$50 to \$80.....	29 1
\$80 and over.....	1 6

<sup>2</sup> Weekly rents paid by these families were as follows:

	Percent
\$3 to \$11 (under \$45 per month).....	89 1
\$11 to \$17 (45 to \$75 per month).....	10 7
Over \$17 (over \$75 per month).....	2

<sup>3</sup> Those with weekly incomes of \$50 to \$80 and are in income classes above those generally eligible for public housing and below that required for purchase or rent of new urban housing.

*Rents now paid, rents families feel they can afford to pay, and rents families could pay if 20 percent of income were spent for rent—Laurel redevelopment area, Cincinnati, Ohio, 1954*

[Percentage of all families]

Rent class	Rent now paid	Rent family feels it can pay	Rent family could pay if 20 percent of income	Rent class	Rent now paid	Rent family feels it can pay	Rent family could pay if 20 percent of income
	Percent	Percent	Percent		Percent	Percent	Percent
0 to \$8.....	4 25	0 10	1 04	\$57 to \$64.....	0 21	1 45	11 19
\$9 to \$16.....	21 86	4 56	8 29	\$65 to \$72.....	21	64	8 38
\$17 to \$24.....	30 98	9 53	8 08	\$73 to \$80.....	21		5 39
\$25 to \$32.....	27 25	24 87	9 12	\$81 to \$88.....	10		5 59
\$33 to \$40.....	9 74	24 66	9 66	\$89 to \$100.....			2 49
\$41 to \$48.....	3 01	6 53	10 67	Over \$100.....			3 52
\$49 to \$56.....	73	7 25	13 16	Unknown.....	1 45	20 41	3 42

Source Characteristics of Occupants of Laurel 3. Office of the city manager, Cincinnati, Ohio, 1954

*Percentage distribution of housing units needed to relocate families displaced by redevelopment and ineligible for public housing—Laurel redevelopment area, Cincinnati, Ohio*

[Based upon 20 percent of income for rent]

	Percent	Percent		Percent	Percent
Under \$70.....	9	13	\$70 to \$80.....	16	13
\$20 to \$30.....	10	4	\$90 and over.....	24	16
\$30 to \$40.....	6	7	Unknown.....	7	4
\$40 to \$50.....	7	13	Total.....	100	100
\$50 to \$60.....	15	16			
\$60 to \$70.....	6	14			

Source Adopted from tables 27-28. Characteristics of Occupants of Laurel 3, Office of the city manager, Cincinnati, Ohio, 1954.

Mr. BARRETT. The committee will recognize George Schermer, of the Philadelphia Commission on Human Relations.

Mr. O'NEILL. Mr. Chairman, I would like to ask permission to include, on behalf of the American Civil Liberties Union, the memorandum supporting the proposed regulations.

Mr. BARRETT. You may do so.

Mr. O'NEILL. Thank you.

Mr. BARRETT. Would you identify yourself for the record, please, Mr. Schermer?

Mr. SCHERMER. I am George Schermer, the director of the Commission on Human Relations of the City of Philadelphia.

### STATEMENT OF GEORGE SCHERMER, DIRECTOR, COMMISSION ON HUMAN RELATIONS, CITY OF PHILADELPHIA

Mr. SCHERMER. Gentlemen of the committee, I am quite sure that you have already heard a good part of the information which I have placed in a statement here because I have reviewed at considerable length the facts and they are very fully documented in a research report which I have with me here, copies of which I am going to leave with the committee.

(The information is as follows:)

#### STATEMENT BY GEORGE SCHERMER, EXECUTIVE DIRECTOR, CITY OF PHILADELPHIA COMMISSION ON HUMAN RELATIONS, PHILADELPHIA, PA.

I am appearing on behalf of the Philadelphia Commission on Human Relations. This commission is an official agency of the city of Philadelphia, having been provided for in the Philadelphia home-rule charter which went into effect in 1952. The charter provides that the commission shall "administer and enforce all statutes and ordinances prohibiting discrimination against persons because of race, color, religion, and national origin \* \* \* institute and conduct educational programs to promote the equal rights of all persons regardless of race, color, religion, or national origin \* \* \* (promote) understanding among persons and groups of different races, colors, religions, and national origins." The commission consists of nine members appointed by the mayor who serve without pay as a policy body. The program of the commission is carried out by a paid staff financed by city appropriations.

In developing its program, the commission has included the responsibility for promoting a research and educational program designed to assure equality of opportunity for all persons regardless of race or ancestry in obtaining decent and desirable homes. It is also the responsibility of the commission to work closely with the city administration planning and housing agencies in the implementation of the overall program for providing shelter and promoting a long-range program of city development, redevelopment, conservation, reuse, etc.

In our testimony we plan to show that the objectives of the national program for urban conservation and reuse cannot be successful and must eventually fail unless the Federal home-mortgage insurance and guaranty program can be made to foster and promote an open, racially unrestricted housing market.

#### OBJECTIVES OF THE NATIONAL PROGRAM

It is our understanding that the several objectives of the national program are:

1. To assure the provision of adequate, decent, safe, and healthful shelter for families at all levels of income.
2. To assure a healthy and stable housing industry capable of meeting the Nation's needs.
3. To assure the stability of housing investment.
4. To conserve the housing and the neighborhoods which are essentially sound.

5 To rehabilitate the housing and the neighborhoods which have not deteriorated beyond rescue.

6. To clear away and rebuild the heavily blighted areas.

7. To revitalize our cities and capture the great human, cultural and spiritual qualities inherent in good urban design and organization.

#### MANY FACTORS BEAR UPON REALIZATION OF OBJECTIVES

The realization of these objectives is dependent upon many factors: sound, imaginative city planning, effective political and civic organization and support, a healthy economy, a variety of legislative and legal provisions, adequate, direct Federal and local financing and extensive governmental provision of incentives to private investment and initiative.

Other testimony, we are sure, will have adequately covered these grounds. Our testimony is purposely limited to a few considerations related to housing market restrictions based upon race, color, religion, or national origin.

#### RACIAL RESTRICTIONS IN HOUSING ARE READILY APPARENT

We are sure that no one questions the fact of racial restrictive practices in the housing market. The evidence is everywhere apparent, even to the casual observer.

Occasionally, there are persons who argue that racial restrictions have been outlawed and do not exist. These people refer to the United States Supreme Court decision of May 1948 (*Sipes v. McGee*) which ruled that racially restrictive covenants are not enforceable in the courts. They point also to the requirement of the FHA and VA that the applicant for mortgage guaranty commitments must pledge that there will be no racial restriction attached to the land. This means only that there shall be no restriction of record. It does not, and has not, prevented the maintenance of restrictions in practice.

#### RACIAL RESTRICTIONS MOST EFFECTIVE IN NEW HOUSING

Racial restrictions upon housing are most effective where control is centralized and/or where sanctions can be brought to bear. Thus, large rental properties are always very effectively restricted. The promoters of new residential developments have complete control over sales or rentals. Racial restrictions in new developments are almost universal.

In the Philadelphia metropolitan area more than 140,000 new dwellings were placed on the private market during the years from 1945 to 1953. Of this number only 1,044 or less than eight-tenths of 1 percent were available to non-whites.

Builders and realtors openly admit to racial restrictions. In fact, assurances of such restrictions are given as a sales feature. It is commonly stated by members of the housing industry that there is great risk involved in any venture which does not have the "white only" tag upon it. Practically the only housing which does not carry the "white only" tag is that which has been built on marginal land and is intended specifically for the Negro market.

#### THERE IS A SUBSTANTIAL NEGRO MARKET

The extremely small number of new houses occupied by Negroes in the post-war years as explainable only as a product of market restrictions. Arguments that Negroes do not have the buying power or are not interested in the new houses in the peripheral areas are readily disproven by the facts. Data obtained from the United States census and FHA market surveys indicate that in 1951 there were at least 18,000 Negro families in the Philadelphia area with incomes above \$4,000 per annum. Data from the same sources conservatively projected would indicate that by 1955 there should be at least 32,000 Negro families with incomes over \$4,000 per annum. During the decade from 1940 to 1950 homeownership among Negroes in Philadelphia jumped from 6,694 to 29,439, an increase of 340 percent. All evidence points to an even more phenomenal increase in Negro homeownership from 1950 to 1955.

All but a few of the homes purchased by Negroes during this period were secondhand homes at peak market prices, requiring substantially higher cash downpayments than for comparably priced new houses. Because new homes can be purchased under FHA and VA terms for nominal cash downpayments, it is reasonable to assume that a far greater number of Negro families could have

and would have entered the housing market if new houses had been available to them. It is also reasonable to assume that if Negro buyers are considered good risks in the financing of secondhand home sales, they would be equally reliable risks for new homes.

Negro homebuyers have flocked to the new developments which have been labeled as nonrestricted. The Concord Park Homes in Bucks County, which have been advertised as available on a racially integrated basis, have drawn such a vast number of Negro prospects eager and able to buy that the entire development could have been sold many times over to Negro buyers alone.

In summary on this point, it can be categorically stated that while, ratio-wise, the Negro market for new housing is much smaller than the white market, it is very substantial and is growing at a phenomenal rate.

#### RACIAL RESTRICTIONS ARE NOT INEVITABLE

It may be argued by some that racial restrictions are inherent in the market situation and cannot be avoided. The builder of new homes often states that he must restrict or go out of business. He points to the fact that sales to whites decline or drop off completely as soon as one house in a given development is sold to a nonwhite. He points to the fact that in the suburban areas, where the greater part of the new house development is centered, the local governmental units are extremely hostile to any development not restricted to whites only and usually find means for making the venture unfeasible. It is often stated by builders that lenders are unfriendly to proposals for racially integrated developments, but do look with favor upon restricted developments for either whites only or nonwhites only. This is frequently denied by representatives of the lending field.

It is the considered judgment of this commission that the individual operator is correct in his defense. It seems doubtful that, except in rare instances, the individual builder can operate successfully on an unrestricted basis if his competition continues to restrict.

It is the belief of this commission that each individual builder could operate successfully without restrictions providing there were prohibitions against restrictions which applied equally and generally to all builders. It is the further belief that such prohibitions can be properly and effectively applied wherever governmental aids are offered to the industry.

#### THE ROLE OF FHA AND VA

It is widely recognized that the mortgage underwriting and guaranty services of the FHA and VA have had a profound effect upon the Nation's housing economy. It seems doubtful that more than a fraction of the millions of homes produced in the last 20 years, and particularly in the last 10 years, would have been possible without these or similar governmental aids or services. The number of home mortgages actually underwritten or guaranteed by FHA and VA is not an adequate measurement of the influence of these agencies. A majority of houses in a given development may be sold with conventional financing, but the builder has usually made certain that his development will be approved by these agencies. His profit is dependent upon volume. He needs to sell all of his houses. To broaden his market he must be sure that some of the homes can be financed through FHA or VA.

Builders are, therefore, very dependent upon FHA and VA and readily influenced by their policies. For many years the agencies promoted racial restrictions. The evidence of this has been well documented in the book *Forbidden Neighbors* by Charles Abrams. Since Negroes did not figure strongly in the housing market prior to 1940, the present-day pattern of restricted new developments can be traced largely to the early policies of the FHA.

It is true that since 1949 these agencies have ceased the promotion of racial restrictions and now prohibit restrictions of record on approved properties. This has had no effect upon the general practice. The pattern had been set prior to 1949 and has had the tacit sanction of the Federal agencies since that time.

This commission believes that prohibitions against restrictions in practice as a requirement of FHA or VA approval on all new developments would have a profound effect upon market practice and would result in extensive opening up of the market to racial minorities. The commission also believes that such prohibitions in relation to governmental aids would be legal, proper, and in line with American traditions. They would not impinge upon the privacy of the

conventional seller-buyer relationship. They would apply only when Government has become a partner in a transaction.

#### NEW HOUSING ON A SEGREGATED OR RACIALLY DESIGNATED BASIS HAS PROVEN TO BE IMPRACTICABLE

Most people agree that where Government becomes a partner in private enterprise it should require that all groups be equally served. Many contend, however, that unrestricted developments run contrary to American customs and are impractical. They suggest that the governmental agencies should assist developers in providing homes designated especially for the racial minority groups.

It might be proper here to dwell upon the moral, legal, and social implications of governmentally aided racial segregation. We do not do so because we think that most American people in their inner consciences know that racial segregation imposed or fostered by Government is wrong.

We restrict our argument to the practical considerations. It is the conclusion of this commission that the production of decent, desirable new housing, comparable in quality and price with the general market, for racial minorities on a segregated basis is more difficult and less practical than establishing an open market.

#### THE PROBLEM OF SITES

The basic problem of those who would build housing especially for nonwhites is that of sites. A number of builders have indicated to our Commission that they are interested in building for the Negro market and ask us for help in locating sites. Naturally, we do not designate specific sites, but we do review various vacant land areas with them. We are unable to suggest any sections except in marginal areas which would not be controversial to a greater or lesser degree. We cannot guarantee that a builder will not run into opposition and costly delays. It is a rare builder, indeed, who will risk his time, money, and business reputation on the venture.

The traditional practices of the real-estate market, supported by the FHA and VA, have placed a high premium on the exclusion of the nonwhites. Each neighborhood is in competition with every other in a grim contest to keep Negroes out.

Building homes for Negroes on a segregated basis satisfied no one. The people who endorse segregation in principle are just as strongly opposed to segregated developments in their neighborhood as they are to the principle of the open market.

From a purely practical standpoint, we do not believe the building industry will provide enough new housing available to nonwhites within the framework of a restricted market to make a significant contribution.

#### RELATIONSHIP TO URBAN CONSERVATION, REUSE, AND REDEVELOPMENT

We shall now show how the restrictive practices of the new house market affects the programs for conservation, reuse, and redevelopment.

To fully understand the problem would require referral to extensive data regarding the immigration of Negro families from the rural South, the population shifts within the areas designated for, or in need of redevelopment, reuse, and conservation. Time prevents us from reviewing the data here, so we are attaching a copy of a study entitled, "Philadelphia's Negro Population—Facts on Housing," to the statement which we are filing with your committee.

This study shows that the problem of displacement and relocation of families from clearance areas is becoming more serious by the week because the immigrants are flowing into these areas in great numbers and practically doubling the density. The same thing is occurring in those areas in earlier stages of blight where conservation and reuse programs are required. Effective conservation measures will require intensive inspection and enforcement of the housing code occupancy standards. In one of the leadership code-enforcement areas, it was found that out of a total of 2,653 dwellings inspected 313 or 12 percent were overcrowded and that approximately that number of families would have to locate elsewhere, if decent standards are to be maintained.

If Philadelphia is to institute a redevelopment, reuse, and conservation program of sufficient magnitude to overtake the spread of blight and obsolescence, it will be necessary to displace and relocate tens of thousands of families, in addition to accommodating other thousands of immigrants.



## IS THE PROGRAM TO BE FORCED OR CAN IT BE "SOLD"?

Here is the crux of the whole situation. When we talk of displacement and relocation, are we suggesting that we are going to move people like pawns? Or, are we going to develop incentives to make them want to move? How far are the various city, housing, and redevelopment authorities going to get if too many people think they are being pushed around? And, what good does it do to invest public money in both redevelopment and rehabilitation programs, unless the people affected develop some enthusiasm and creative participation in establishing new homes and good neighborhoods.

There are a whole complex of psychological and emotional factors to be considered, in addition to counting heads, dollars, and dwelling units.

American people don't like to be manipulated as pawns. They want to be "sold" before they respond cooperatively. They will be responsive to laws and force only if they know it's for the public good and if the law applies fairly to all.

This whole program will fall of its own weight if it has to be done against or in spite of the opposition of the people affected.

The commission believes that if a program big enough to overtake the spread of blight is attempted within the framework of a racially restricted housing market, it will produce more problems than it will cure.

## MOBILITY AND FLEXIBILITY REQUIRED

Social and geographic mobility and a flexibility in the economy of both jobs and housing are, we believe, absolutely basic to change.

We might take a lesson from what happened to the various nationality groups who entered our country and flowed into our slums as low-status minorities. They were poor, unskilled, unprepared for living in the American city. They were despised and discriminated against. Yet, within a generation or two, most of them rose above their minority status and became fully accepted, self-respecting, self-sustaining citizens. We are not overly concerned about the nationality concentrations in certain neighborhoods, or the particular problems of housing or relocation of Italians or Polish or Irish. We do not have the problem because for them there is greater opportunity, mobility, and freedom of choice.

## RACIAL TAGS MUST BE AVOIDED

Negroes now constitute over 20 percent of Philadelphia's population and, perhaps, from 60 to 70 percent of the population living in the areas for redevelopment, reuse, and conservation. If the public in general, white and Negro, gets the idea that these are programs being done for or to Negroes, public opposition will become insurmountable. The only way to avoid such an occurrence is for more Negroes to enter the general housing market.

## THE TRANSITIONAL NEIGHBORHOOD

The conditions under which established residential neighborhoods change from white to Negro occupancy are another set of factors to be considered. As long as new housing is restricted against Negroes, and as long as there are thousands of Negro families migrating in, being displaced, and rising as far as possible in housing status, the entire pressure for living space will be directed against the older established white neighborhoods, particularly those that are in early stages of decline.

Racial change in these areas is inevitable. New populations are often good for old neighborhoods. Often the new population improves and makes over the old houses. However, the transition too often becomes a route accompanied by serious disorganization and exploitation. A neighborhood in transition is in precarious balance. It may improve. It is equally likely to become seriously blighted.

Our commission is promoting an extensive program of neighborhood stabilization. Our objective is to slow down transition, prevent panic, maintain a sound leadership structure, maintain property standards and values. Through such a program we believe that the usual blight-producing factors in population change can be prevented.

This program can be only partially effective as long as new house developments are attracting white people only and excluding Negroes entirely. The tendency of white people to literally abandon their neighborhoods after Negro families

move in can be prevented if the total housing market becomes equally available to all.

#### CONCLUSION AND RECOMMENDATIONS

The commission on human relations is in favor of all the general objectives of the national housing program. It supports the various recommendations of the city administration and the housing agencies for a vastly expanded program. It warns that these programs cannot succeed within a framework of racial restrictions in the general housing market. It suggests that costs can be substantially reduced and the problems greatly simplified, if the general housing market is freed of racial restrictions.

The commission is not naive. It assumes that many of the restrictive practices are beyond the reach of law and Government. It does believe, however, that where Government is a partner in the business, as is the case with FHA and VA transactions, nonrestrictions can and should be made the rule. Such a rule would have a profound effect upon the market generally.

### **a report on**

# **The Housing of Negro Philadelphians**



Commission on Human Relations  
COMMERCIAL TRUST BUILDING  
14 SOUTH BROAD STREET  
PHILADELPHIA 2, PA

This is a summary of a detailed study of the housing of the Negro population in Philadelphia prepared for the Commission on Human Relations by the Philadelphia Housing Association. Almost all of the facts are based on the 1950 Census.

**1. GREAT INCREASE IN NEGRO HOME OWNERSHIP**

Home ownership among Negro Philadelphians increased by 340% since 1940. Between 1940 and 1950, almost 23,000 Negro families bought homes. This was an increase from 6,694 (10% of all Negro households in 1940) to 29,439 (29% of the Negro households in 1950). Among the white population, home ownership increased 57% during the same period. In 1940, there were 190,323 (43%) white families who owned their own homes, in 1950, the number of white home owners increased to 298,596 (62% of the total number of white households).

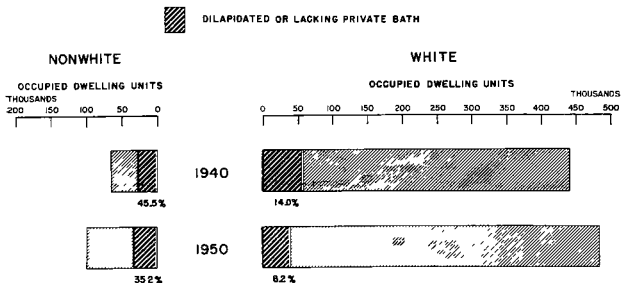
Between 1946 and 1953, only 45 new homes were offered for sale to Negroes in Philadelphia. Therefore, almost all of the

houses purchased by Negroes were second-hand, for which financing costs are usually higher.

**2. PROPORTIONATELY FEWER NEGRO FAMILIES IN SUBSTANDARD DWELLINGS**

The proportion of Negro families occupying dilapidated houses dropped from 21% in 1940 to 17% in 1950. The percentage of Negro families living in dwellings in which there was no private bath dropped from 24% in 1940 to 18% in 1950. Combining both categories, the proportion of Negro households occupying substandard dwellings decreased from 45% in 1940 to 35% in 1950. The fact remains, however, that 33,471 Negro families still live in substandard homes.

**SUBSTANDARD HOUSING IN PHILADELPHIA 1940 AND 1950**



PREPARED FOR THE PHILADELPHIA COMMISSION ON HUMAN RELATIONS  
BY THE PHILADELPHIA HOUSING ASSOCIATION  
JUNE 1953

SOURCE: U.S. CENSUS

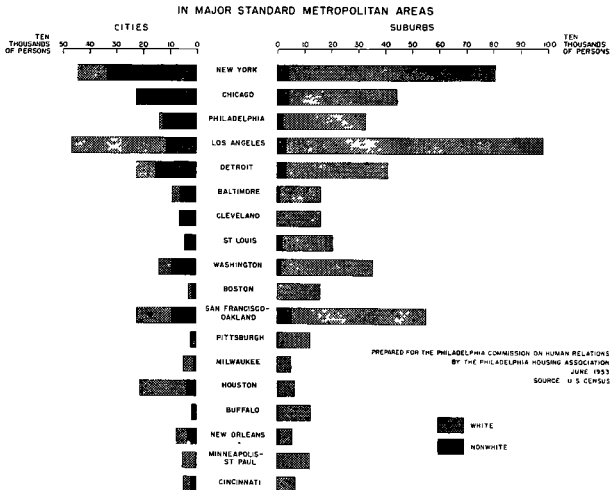
### 3. NEGRO AND WHITE FAMILIES ARE OFTEN NEIGHBORS

An unexpected fact revealed by the study was that Negro and white families live as neighbors in the same blocks much more frequently than is commonly believed. Eighty-eight percent of all Negro families and 22% of all white families in the City live in blocks in which there is some racial integration. These percentages represent 88,209 Negro and 108,513 white families in 3,592 blocks or 27% of the City's residential blocks, both Negro and white families occupy homes. In 1,965 blocks, at least half of the households are white, in 1,627 blocks, Negro families predominate.

### 4. WHAT HAPPENS WHEN A NEIGHBORHOOD CHANGES?

A study of two neighborhoods in which the Negro population increased substantially since 1940 showed that whether the change was for the better or worse depended on many factors. One neighborhood, an eight-block section of the Temple Redevelopment Area bounded by Susquehanna Avenue, 11th Street, Montgomery Avenue and 13th Street was characterized in 1940 by poor housing, a great deal of conversion of old, single-family homes to apartments, few owner-occupied dwellings and low incomes among the residents. In this neighborhood, the quality

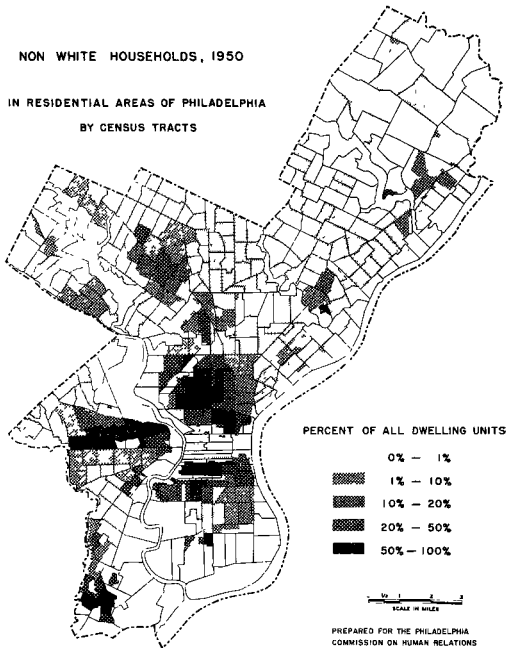
## WHITE AND NONWHITE POPULATION GROWTH 1940 to 1950



of housing deteriorated further as the Negro population increased during the next ten years. Another neighborhood, the "Nictown" area, is bounded by Erie, Germantown and Hunting Park Avenues. Here the houses were

in fairly good condition. Between 1940 and 1950 when the Negro population in this section almost tripled and home ownership increased, there was a 57% drop in the number of substandard homes.

**NON WHITE HOUSEHOLDS, 1950  
IN RESIDENTIAL AREAS OF PHILADELPHIA  
BY CENSUS TRACTS**



SOURCE U.S. CENSUS, 1950

PREPARED FOR THE PHILADELPHIA  
COMMISSION ON HUMAN RELATIONS  
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JUNE 1953

## 5. NEGRO POPULATION GROWTH CONCENTRATED IN OLD AREAS

In all of the nation's eighteen largest cities there were large increases in the non-white population between 1940 and 1950. In Philadelphia, the population increased from 252,757 to 378,968. In eleven of the eighteen cities the relative growth in the non-white population was larger than in Philadelphia. Figures from the City Planning Commission show that, in Philadelphia, an estimated 70% of the total growth of the nonwhite population was accounted for by migrating Negroes, most of whom left the South because of the economic opportunities offered here.

Concentration of Negroes in certain areas has increased since 1940. In the Philadelphia Metropolitan Area, Negroes are concentrated in the City of Philadelphia and the other urban centers of the area, mainly the cities of Camden and Chester. (The Metropolitan Area includes Bucks, Chester, Delaware, Montgomery, Philadelphia, Burlington, Camden and Gloucester Counties.) Nearly one person in five in these three urban centers is Negro, while only about one in twenty in the remaining suburban area is Negro. Between 1940 and 1950, the proportion of Negroes in the three cities combined rose from 13% to 18% while the proportion of Negroes in the remaining suburban portions of the Metropolitan Area dropped from 5.6% to 5.3%. Philadelphia alone, absorbed 85% of the total 1940-50 increase in Negro population which occurred in the Metropolitan Area.

Within Philadelphia, too, the pattern of concentration has grown stronger. Negroes live mainly in three sections of the City—South Philadelphia, West Philadelphia, north of Market Street, and North-Central Philadelphia. By 1950, almost 90% of the City's Negro households lived in these three areas. Recent population trends reinforce this pattern since fully 91% of the increase in the number of Negro households was absorbed in these same three areas. This increase has meant that Negroes are now occupying some new areas, but most of this new occupancy is in blocks immediately adjacent to or in the vicinity of traditional Negro areas.

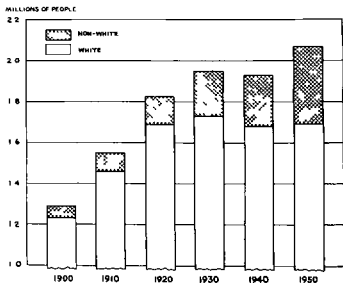
Further evidence of increased concentration of Negroes is the fact that the number of blocks occupied solely by Negroes increased from 124 in 1940 to 320 in 1950, and there were almost twice as many blocks in which 90% or more of the households were Negro. Although the number of white and Negro families living in the same block is still much higher than is commonly believed, the ratio has declined since 1940.

## 6. MORE THAN A THIRD OF ALL NEGRO FAMILIES STILL LIVE IN SUBSTANDARD DWELLINGS

Despite the actual improvements in the housing conditions of Negroes in recent years, the improvement in the housing of whites has on the whole been more rapid.

While the proportion of white families living in overcrowded dwellings decreased from 10% in 1940 to 7% in 1950, the percent of Negro families living in overcrowded dwellings was as high in 1950—22%—as in 1940. It is interesting to consider the continuance of overcrowding in Negro households in contrast with the increase in home ownership and the decrease in substandard conditions. A possible interpretation is that most Negroes have been unable to do very much about se-

PHILADELPHIA'S POPULATION BY RACE, 1900-1950



curing houses of sufficient size, and have simply done what they could do to improve their living, i.e. they made improvements and became homeowners

Though the proportion of Negro families living in substandard dwellings decreased from 45% to 35% between 1940 and 1950, the number of Negro families living in such units actually increased because of the 50% growth in the City's Negro population. In 1940, there were 26,348 substandard dwellings occupied by Negro families, by 1950, the number had increased to 33,471, again largely as a result of housing supply not having kept pace with the population growth

**7. NO NEW HOUSING FOR NEGROES**

Home marketing practices are still highly discriminatory against Negroes. This is dramatically demonstrated by the fact that prac-

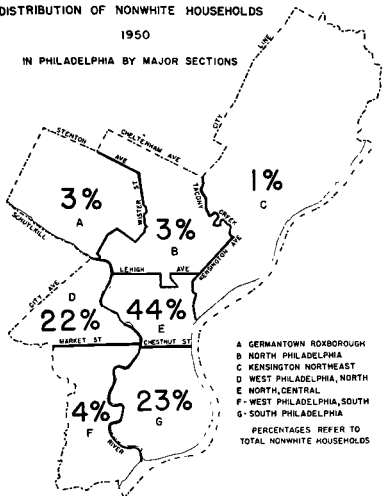
tically no new, privately-built housing was made available for Negro occupancy in recent years. This continues to be true despite the great growth in Negro home ownership and the increase in the average Negro's income. In the whole Metropolitan Area, out of a total of some 140,000 units constructed since 1946, only 1,044 or less than 1% were made available to Negro purchasers or renters. Of these 1,044 dwellings only 578 are in Philadelphia, only 45 of the dwellings built in Philadelphia were offered for sale to Negroes. During this same period almost 23,000 Negroes bought second-hand homes in Philadelphia under terms which customarily are more demanding than those required for new housing. These facts show that there is a large unfilled demand for homes among Negroes

Copies of the complete report entitled *Philadelphia's Negro Population—Facts on Housing* may be obtained on request from the Commission on Human Relations.

**DISTRIBUTION OF NONWHITE HOUSEHOLDS**

1950

IN PHILADELPHIA BY MAJOR SECTIONS



- A GERMANTOWN ROXBOROUGH
- B NORTH PHILADELPHIA
- C KENSINGTON NORTHEAST
- D WEST PHILADELPHIA, NORTH
- E NORTH, CENTRAL
- F WEST PHILADELPHIA, SOUTH
- G SOUTH PHILADELPHIA

PERCENTAGES REFER TO TOTAL NONWHITE HOUSEHOLDS

SOURCE U S CENSUS

The basis of comparison in most analyses and tables is the number of dwelling units rather than the population. This study is mainly concerned with the location and movements of Negro households and the quality of housing occupied by Negroes. Thus, the emphasis is on occupied dwelling units which, by definition, are equivalent to households.

Mr. SCHERMER. My statement really comes in two sections. First, data showing that there is a vast amount of restrictive practice in the housing field as it applies to minority groups, and particularly Negroes, and we show how in a very real sense the Federal Government becomes a party to these practices by virtue of continued underwriting of mortgages, guaranty of mortgages through the FHA and the VA.

I am making this explanation because I am aware of your time factor and rather than go over all of the data, I am just explaining a few of the high points here and will not read the statement. I don't think that there is likely to be very much question about the fact that practically all of the new housing that has been put on the market has been restricted against minority groups, particularly Negroes, and I would like to just make it a statement of fact, unless the committee wishes to challenge it, that we feel it can be shown that FHA and VA are a party to that, even though on the record they are not. If we can jump over my testimony on that point and start from that point, I would like to in somewhat greater detail add these points:

First, we feel that when people talk about proposals for providing increased amounts of new housing for Negroes on a restricted basis; that is, proposing to build specifically for Negroes where the housing is labeled for that purpose, or where some housing is produced and labeled as unrestricted, but within a framework of general restrictions in the rest of the market—if housing is merely labeled as unrestricted and the rest of the market is restricted, we might just as well assume that that is going to be pretty much Negro housing.

It is true that Morris Milgram, who just testified, with a Herculean effort has managed to keep his development balanced but it is a rare builder, indeed, who will go to the extent that he has in trying to maintain an integrated development. So we finally come to this point: I am not arguing with morality of it, the legality of it. I assume that pretty nearly everybody in the American Government agrees that any segregation, any restriction that is sponsored by Government is wrong, but a great many people argue the practicality of it. They will say from a practical viewpoint we have to get housing for these people and you can't do it by making the market unrestricted, so we will do it by fostering restricted developments or fostering housing especially designated for the minority group.

Again, I will not go into the detail. I am simply saying here that it is our contention here that that is a less practical proposition than the idea that the market ought to be unrestricted completely because you come up against the problem of sites. The mere fact that FHA and VA continue to underwrite restricted developments puts a premium on restrictions. We have every community where there is vacant land in competition with every other community to keep Negroes out. They are no more receptive to the segregated development than they are to the idea of no restrictions at all, and in our opinion, an extremely small amount of decent new housing will ever get placed on the market, and available to the minority group, as long as FHA and VA continue to underwrite the restricted development.

Now my statement also shows there is a very substantial market among Negroes for new houses. I answer the oft-repeated arguments that (a), there is no market; and (b), Negroes don't want new houses.

The market is there, and if Negroes learn of a development somewhere that is not restricted, they flock in that direction and show their intense interest and their ability to buy. The latter part of our statement shows how this is related to this whole problem of redevelopment, reuse, and conservation. We show at what a rapid rate Negro families are migrating from the South to our cities in the North. We are showing the rate of change of the areas the city



of Philadelphia is designating for redevelopment, the former Negro residents are moving away from those areas and are being replaced by the in-migrants and the flow of in-migrants is such and the people are sufficiently poor so that they fill in those areas, and the density is being doubled in the area around Temple, for instance, where there is a redevelopment site.

The density of that area doubled from 1940 to 1950, as the old population moved out and the new in-migrants moved in, and this filling in is occurring not only in the areas designated for redevelopment, it is occurring in many of the older areas which are marked for conservation, for rehabilitation.

In some of the city's code-enforcement areas where there has been a concentrated process of inspection and code enforcement, they are finding that a third or more of the houses are overcrowded and if we are going to institute a good program of urban reuse and rehabilitation here, we have got to deoccupy those houses, reduce the occupancy down to a decent standard. You add all of this up and you find that we have a terrific push on the part of the increasing Negro population outward.

This means if we tried to do a major job of redevelopment, slum clearance, reduction of occupancy in conservation areas, we are going to be relocating literally tens of thousands of families, and most of those families are going to be Negro families. That is a big enough job in itself, but if it is to be done within the framework of a restricted market, I think what happens is the whole psychology of the Negro community will be one of resistance, because they will feel that they are being moved about like pawns within a restricted area, that the only way you can make this program psychologically acceptable to this vast Negro population that we have is to make it seem clearly a matter of choice as to where you are going to live.

Poverty, limited income, may make it necessary to live in some of the newly provided public housing, but if there is to hang over this all of the time the fact of a restricted new house market, I predict that we will build such a terrific resistance within the Negro community against any sort of a redevelopment program that it will bog down. I think that that resistance will be equal within the white community for this reason: They will begin to identify in their minds that this whole program of Government expenditure is for Negroes, since it is being invested primarily in Negro areas.

Now, the thesis that I have here is a rather complex one, and one I don't think we have time to develop today. My point is as long as the programs of this kind become identified in the public mind with race, you create more problems than you can cure, and the answer, the simple answer is to loosen up the market to create and provide for greater mobility so that every Negro family that can afford it has the choice of whether he is going to move into a new house provided somewhere in the suburbs, or whether he is going to buy a house in a redevelopment program or a house that has been renovated through the process of urban conservation and reuse.

Our final conclusion is this: While our Commission gives full support to the total program that is envisioned through Federal legislation, and we integrate our program completely with the rest of the housing agencies in the city of Philadelphia, we point to the restric-

tive practices of two Government agencies as being factors which are likely to defeat the rest of the program, and recommend strongly that in the course of developing further Federal legislation in this field serious thought be given to writing into law a provision that where Government is a partner in business—and I think Government is a partner in business when it underwrites a mortgage or guarantees a mortgage—that at that point Government ought to write in a prohibition against restrictive practices.

Now, in making this as brief as I have I don't think I have developed my thesis very adequately. I think it is more adequately developed in the written statement.

Mr. BARRETT. You may present that for the record.

Thank you very much.

The committee will recognize Robert Wolf, representing the Greater Philadelphia Movement.

Mr. Wolf, we have 13 minutes left. We will give you the full 13 minutes.

Mr. WOLF. I think I will take 5 or 6. I want to avoid the possibility of taking too much time.

Mr. BARRETT. Will you identify yourself for the record, please?

#### STATEMENT OF ROBERT WOLF, GREATER PHILADELPHIA MOVEMENT

Mr. WOLF. I am really here to talk about what I think is a simple virtue of self-reliance; in other words, instead of more Government it might be appropriate to point out that there is some responsibility which remains in us, let us call it John Q. Public, for the elimination of the slums and the development of an intelligent building program.

I have some little information on the subject, having served as chairman of the mayor's coordinated housing improvement program, which was set up 4 years ago for the very purpose of coordinating the inspection, enforcement, and the Housing and Redevelopment Authority activity. It was appointed, I say, parenthetically, to indicate that housing is nonpolitical by the Republican administration, and just prior to the coming in of the new Democratic administration, so that our life was relatively short.

The committee acted for about 9 months.

Secondly, I am counsel for the Colonial Surety Co., which does probably over 50 percent of the construction lending in this Philadelphia area. In construction lending we see the FHA, of course, in action all of the time. There is no doubt at all that a tightening of the credit terms has slowed down building. It is not so much the question of whether there will be more buyers if the terms were eased. It is more a question of whether the construction lenders are willing to advance money, and I think you will find that as a result of the change there has been a tightening up by the construction lenders.

There is also, we find in connection with the FHA operation, a certain amount of red tape which we normally associate with government. I am not sure that we would say it was greater in the case of FHA than in any of the other usual governmental experiences. Of course, it may be a good thing that the tightening of the credit restrictions will weed out some of our weaker contractors.

You must remember that we suddenly have developed a group of carpenters and plasterers and truckers who suddenly in the days just past became contractors. They didn't know the building game. They weren't capable of doing the job, and they didn't have adequate financing, so that as there is a tightening of the credit terms it may be that the desirable effect will be the elimination of these people who really should not have been in the contracting field in the first place.

Mr. ASHLEY. You do believe that we need more contractors rather than fewer, however; don't you, sir?

Mr. WOLF. No; I will answer it categorically no, and then qualify it a little.

I think we need encouragement by the Government for the building of private homes. You are not going to get them built without the encouragement by the Government, but on the other hand when the encouragement goes too far, as I think perhaps it has in terms of what we saw several years ago of the profits made without any development, and where every Tom, Dick, and Harry goes into the contracting business, then I say that sort of encouragement is not desirable. It is not a healthy economic growth.

So our theory is really that the Government activity in particular itself is necessary and desirable, and we shouldn't lose sight of it, of should be encouraged.

There have been some problems created by it, but surely the program the desirability, just because there hasn't been perhaps what we away from Washington would consider real executive management of the organization in the last several years.

We feel that there is nobody who is willing to step in and take authority and really set up a program without worrying about what is going to happen to him personally.

That is our attitude on FHA.

Just a word on the slum situation.

I think that there is a tendency to blame the Government, the Federal Government, and the State government for what they haven't done.

There is no question we need public housing. That issue is long since dead. The die-hards in the forties have disappeared, I think, and 45,000 units of public housing is ridiculously low. Public housing is here. I don't think it matters what my political persuasion is. I happen to be a rather conservative Republican, but I am perfectly frank to admit that the day of fighting public housing is gone. We need it and we need Government help. But the fact is slums are not cured by public housing. The public housing doesn't stop the decay in the existing houses, and the new housing codes aren't any solution to it. We have a beautiful one here in Philadelphia; a great deal of careful thought was given to it. I suggest that it really wasn't that much different from the old one; that it is not a question of the code as much as it is enforcement.

We have always had too few inspectors. We have 75 now in the city. We will get 120. It will always be too few in that regard.

Now, what are we going to do about that aspect? Public Housing won't do it. You will never have enough money for adequate inspectors. I think the only solution lies in an informed public opinion,

somehow, a committee like this, in its report; the newspapers of the town must create a sufficient public opinion on this evil to permit enforcement.

In other words, what happens now is that there is an inspection and another hearing. It is inevitable because we are not willing to say to these few people who are running the slums and who own the bulk of the slum housing; we are not willing to say to them, "It is your obligation to know the law." We say it to everybody else. "If you violate the law, you are to be punished as soon as the violation is discovered."

The only reason we don't do that in Philadelphia today is because public opinion wouldn't allow it. It would say that is was unfair to a housing operator to bring him in and put him in jail or fine him because he is in violation without having had an inspection and given notice, and so forth, and until we are prepared to say that this housing law, just like everything else, requires obedience without being told, we are not going to be able to get adequate relief from the slums.

Now, that is the problem. I think in addition, just parenthetically, we do need temporary relocation centers. They have got them I understand in Los Angeles. Somehow it seems the Federal Government probably can say to a city as to its public-housing units, "Take an old public-housing unit, make it available for temporary relocation for those people who are moved out of a slum area for 90 days, 3, 4, or 5 months, put them temporarily in a relocation center, so that you can get at the slum area to redevelop."

Thank you.

Mr. BARRETT. Thank you, Mr. Wolf.

This committee stands adjourned.

I was asked by the chairman of this subcommittee, Albert Rains, of Alabama, at the adjournment period, to say thanks to the mayor of Philadelphia—and that is to the people of Philadelphia who have testified here—for their splendid help and constructive testimony and say thanks to all of the city officials who made it so comfortable here during these hearings and to state that the next hearing will be in Los Angeles on November 15.

(Whereupon, at 1 p. m., the committee was adjourned.)

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